Michigan Deptartment of Treasury 496 (2-04)  Auditing Procedures Report Issued under P.A. 2 of 1968, as amended.														
Local Gover	mment Type	ıship	∐Villag	je	Ott	her		Governme Y OF S	ent Name			Cou ST	nty CLAI	R
Audit Date 9/30/05				ion D /06					Date Accour 3/30/06	ntant Report Submit	ted to State:			
accordance	ce with the	e Sta	tements	of t	he Go	overnn	nental	I Accou	inting Star		GASB) and th	e Unifor	т Керс	ents prepared in orting Format for
We affirm		iod w	ith tha Bu	lloti	n for H	no Aug	dita of	Locali	Inite of Co	comment in Mic	higan ac roving	.d		
	<ol> <li>We have complied with the Bulletin for the Audits of Local Units of Government in Michigan as revised.</li> <li>We are certified public accountants registered to practice in Michigan.</li> </ol>													
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations														
You must	check the	applic	cable box	for	each i	tem be	elow.							
Yes	<b>√</b> No	1. (	Certain co	mp	onent	units/f	funds/	agencie	s of the lo	cal unit are excl	uded from the	financial	stateme	ents.
✓Yes	Yes No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).													
Yes Vo 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).														
Yes	Yes Vo 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.													
Yes	<b>√</b> No									do not comply amended [MC		requirem	nents. (	P.A. 20 of 1943,
Yes	<b>√</b> No	6.	The local	unit	has b	een de	elinqu	ent in d	istributing t	ax revenues that	at were collecte	ed for and	ther ta	ixing unit.
Yes	<b>√</b> No	7. j	pension b	ene	fits (n	omal	costs	) in the	current ye		is more than 1	00% fund	ded and	rent year earned d the overfunding ar).
Yes	<b>✓</b> No		The local			s cred	lit card	ds and	has not a	dopted an appl	licable policy a	s require	ed by F	P.A. 266 of 1995
Yes	✓ No	9.	The local	unit	has n	ot ado	opted	an inves	stment poli	cy as required b	by P.A. 196 of	1997 (MC	L 129.9	95).
We have	enclosed	the f	following	ı:							Enclosed		Be arded	Not Required
The lette	r of comm	ents a	and recon	nme	ndatio	ns.					✓			
Reports	on individu	al fec	leral finar	ncial	assist	tance	progra	ams (pr	ogram aud	its).				✓
Single A	udit Repor	ts (AS	SLGU).											✓
Certified Public Accountant (Firm Name) BERTHIAUME & COMPANY CPAS														
Street Add	ress RROW L	ANE								SAGINAW		State MI	ZIP 48	638
Accountan	Accountant Signature 1 Jan nich a- Suttraum 3-30-06													

# CITY OF ST. CLAIR

St. Clair County, Michigan

# FINANCIAL STATEMENTS

September 30, 2005

# TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12 13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances  Reconciliation of the Statement of Revenues, Expenditures and Changes in	16
Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Assets	18
Statement of Revenues, Expenses and Changes in Net Assets	
Statement of Cash Flows  Fiduciary Funds:	20
Statement of Net Assets	21
Statement of Changes in Net Assets	22
Notes to Financial Statements	24
Required Supplemental Information	
Schedule of Pension Plan Funding Progress	45
Budgetary Comparison Schedule – General Fund	46
Budgetary Comparison Schedule – Special Revenue Fund – Major Street Fund	47
Budgetary Comparison Schedule – Special Revenue Fund – Local Street Fund	48
Other Supplemental Information	
General Fund:	
Detailed Schedule of Revenues	50
Detailed Schedule of Expenditures	51
Nonmajor Governmental Funds:  Combining Balance Sheet	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	59
Proprietary Funds – Internal Service Funds:	
Combining Statement of Net Assets	61
Combining Statement of Revenues, Expenses and Changes in Net Assets	62
Combining Statement of Cash Flows	63
Fiduciary Fund – Agency Fund: Combining Statement of Changes in Assets and Liabilities	64
Business-type Activities: Schedule of Indebtedness	65
	05
Governmental Activities: Schedule of Indebtedness.	70
Component Units: Schedule of Indebtedness	74







#### INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council City of St. Clair, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clair as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Clair's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clair, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Clair's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 1, 2006

Berthiaume & Co.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of St. Clair's (the "City") discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended September 30, 2005. The information presented here should be read in conjunction with the financial statements and the notes to the financial statements that follow.

#### **Government-wide Financial Statements:**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

<u>Governmental Activities</u> – Most of the City's basic services are included here, such as the public safety, public works, and recreation departments, and general administration. Property taxes, Stateshared revenue, charges for services, grants, and transfers provide much of the funding.

**Business-type Activities** – The City charges fees to customers to help it cover the costs of certain services it provides. The City's golf course, sewer and water systems, harbor, and rubbish and garbage collections are included here.

<u>Component Units</u> – The City includes the Local Development Finance Authority and Downtown Development Authority in its report.

#### **Fund Financial Statements:**

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

<u>Governmental Funds</u> – Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

<u>Proprietary Funds</u> – Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short-and long-term financial information.

<u>Fiduciary Funds</u> – The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

#### **Financial Highlights:**

- Assets of the City exceeded its liabilities at the end of the fiscal year by \$23,236,261 (net assets), an increase of \$866,900 from the previous year. Of the \$23.2 million reported in net assets, approximately \$4.3 million may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- Net assets of our governmental activities increased \$780,131, or 9 percent, while net assets of our business-type activities increased \$86,769, or 0.6 percent.
- The General Fund reported a net increase in fund balance of \$37,302 for the year. This resulted in a year end fund balance of \$1,400,580. Of this amount, \$918,599 is unreserved and undesignated, or 25 percent of General Fund expenditures.
- The City received an unprecedented \$582,467 in donations offsetting a like amount of purchases of materials and other assets retained by the City. The largest of these were the purchase of a 56 acre parcel, the Hartlein property, for \$343,000, and the improvements made to Rotary Park for \$197,000.
- Various improvements were made via donations to other smaller parks and public areas (Diamond Point Park, Cargill Point, Pine Shores statue dedication).
- DPW wages paid by the General Fund increased 36.3% over the original budget, due largely to an increase in time spent and projects worked on in the City's parks, as well as a decrease in hours worked in other Funds. With the addition of a parks director, more effort has been concentrated on improving and maintaining the City's parks with noted success in Palmer Park and other areas.
- The City issued \$3.455 million worth of General Obligation Bonds, with the payments replacing the retiring 1994 refunding bonds, which mature in November 2005. The road program expects to repave 3.5 miles of the City's 31 miles of streets, a step in the right direction in improving the City's infrastructure.
- Vine Street from Carney to 10<sup>th</sup> Street was resurfaced and a pre-construction deposit made in the amount of \$183,500 for continued construction on the street.

#### The City as a Whole:

The City's combined net assets are \$23.2 million at September 30, 2005. Business-type activities make up \$13.6 million and governmental activities make up \$9.6 million of the total. A comparative condensed statement of net assets and condensed statement of activities is part of the management's discussion and analysis and shown below.

#### City of St. Clair – Net Assets:

As noted earlier, the City's assets exceed its liabilities at the end of the fiscal year by \$23.2 million (net assets). However, a major portion (62 percent) of the City's net assets represents its investment in capital assets (e.g., land, infrastructure, buildings, and equipment) less any related debt used to acquire or construct these assets. The City uses these assets to provide services to its citizens; thus, these assets are not available for spending.

Unrestricted net assets of the City were \$4.3 million at the end of this year. This amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Furthermore, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table depicts a condensed statement of net assets at September 30, 2005 and 2004:

	Governmental Activities			ss-type	T . 1				
	Activ	vities	Activ	vities	To	tal			
	<u>2005</u>	<u>2005</u> <u>2004</u>		<u>2004</u>	<u>2005</u>	<u>2004</u>			
Assets:									
Current and other assets	\$ 9,916,885	\$ 6,263,038	\$ 3,941,082	\$ 4,261,359	\$13,857,967	\$10,524,397			
Capital assets	8,602,637	8,027,222	<u>17,914,980</u>	18,206,652	26,517,617	26,233,874			
Total assets	18,519,522	14,290,260	21,856,062	22,468,011	40,375,584	36,758,271			
Liabilities:									
Long-term liabilities	5,215,658	2,026,354	7,595,754	8,313,644	12,811,412	10,339,998			
Other liabilities	3,737,528	3,477,701	590,383	571,211	4,327,911	4,048,912			
Total liabilities	8,953,186	5,504,055	8,186,137	8,884,855	17,139,323	14,388,910			
Net assets:									
Invested in capital assets,									
net of related debt	7,281,626	6,435,178	10,584,465	10,147,706	17,866,091	16,582,884			
Restricted	425,756	354,366	629,927	618,825	1,055,683	973,191			
Unrestricted	1,858,954	1,996,661	2,455,533	2,816,625	4,314,487	4,813,286			
Total net assets	\$ 9,566,336	\$ 8,786,205	\$13,669,925	\$13,583,156	\$23,236,261	\$22,369,361			

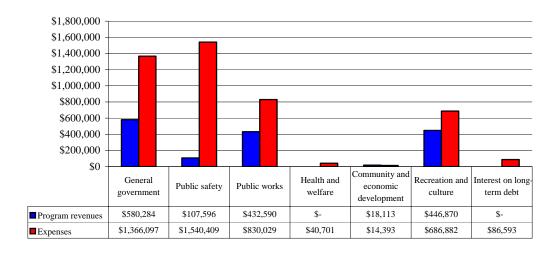
The following table shows the changes in net assets for 2005 and 2004:

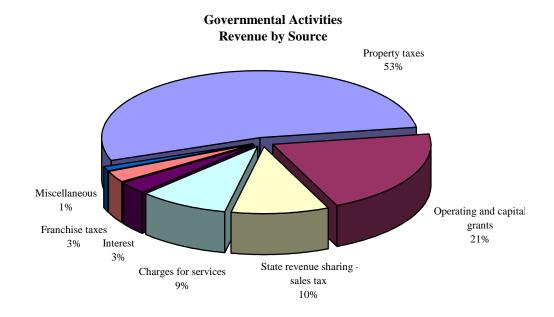
	Govern	ımental	Busine	ss-type						
	Acti	vities	Acti	vities	Tot	tal				
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>				
Revenues:										
Program revenues										
Charges for services	\$ 485,265	\$ 498,382	\$ 2,860,585	\$ 2,747,798	\$ 3,345,850	\$ 3,246,180				
Operating grants/contributions	887,040	653,439	448	10,000	887,488	663,439				
Capital grants/contributions	213,148	52,713	-	-	213,148	52,713				
General revenues										
Property taxes	2,864,344	2,696,317	364,512	395,763	3,228,856	3,092,080				
Franchise taxes	138,449	107,169	-	-	138,449	107,169				
State revenue sharing-sales tax	528,093	529,029	-	-	528,093	529,029				
Investment earnings	140,275	87,220	59,018	73,010	199,293	160,230				
Miscellaneous	64,303	64,803	2,926		67,229	64,803				
Total revenues	5,320,917	4,689,072	3,287,489	3,226,571	8,608,406	7,915,643				
Expenses:										
General government	1,366,097	1,138,227	-	-	1,366,097	1,138,227				
Public safety	1,540,409	1,509,578	-	-	1,540,409	1,509,578				
Public works	830,029	997,929	-	-	830,029	997,929				
Health and welfare	40,701	39,519	-	-	40,701	39,519				
Community and economic										
development	14,393	41,232	-	-	14,393	41,232				
Recreation and culture	686,882	669,819	-	-	686,882	669,819				
Interest on long-term debt	86,593	108,528	-	-	86,593	108,528				
Municipal golf course	-	-	319,077	367,395	319,077	367,395				
Sewer	-	_	1,260,194	1,231,634	1,260,194	1,231,634				
Water	-	_	915,637	786,355	915,637	786,355				
Harbor	-	_	465,182	468,465	465,182	468,465				
Rubbish and garbage	-	-	212,783	208,505	212,783	208,505				
Total expenses	4,565,104	4,504,832	3,172,873	3,062,354	7,737,977	7,567,186				
Excess (deficiency) of										
revenues over expenses										
before other items	755,813	184,240	114,616	164,217	870,429	348,457				
before other items	733,613	104,240	114,010	104,217	670,429	340,437				
Other Items:										
Contributions to principal of										
permanent funds	1,275	2,225	-	-	1,275	2,225				
Special item - Gain on sale of										
capital assets	7,643	5,900	1,714	-	9,357	5,900				
Transfers	15,400	32,468	(29,561)	(50,779)	(14,161)	(18,311)				
	24,318 40,593		(27,847)	(50,779)	(3,529)	(10,186)				
Change in net assets	in net assets 780,131 224,833		86,769 113,438		866,900	338,271				
Net assets, beginning of year	8,786,205	8,561,372	13,583,156	13,469,718	22,369,361	22,031,090				
Net assets, end of year	\$ 9,566,336	\$ 8,786,205	\$ 13,669,925	\$ 13,583,156	\$ 23,236,261	\$ 22,369,361				

#### **Governmental Activities:**

For the year ended September 30, 2005, revenues for the City's governmental activities totaled \$5.3 million. Property taxes accounted for 53 percent of the total revenues, or \$2.8 million. State-shared revenues were 10 percent, or \$528,093. These revenues continue to be a concern as to future funding levels. As indicated in the graph below, most governmental activities are funded largely with taxes and grants; user fees and other general revenues make up about 26% of the amount necessary to cover expenditures. During the year, the City continued meeting the actuarial required contributions for the defined benefit pension system managed by MERS. At the current time, no funding is set aside to provide for retiree health care benefits; the City operates on a pay-as-you-go basis.

# Governmental Activities Program Revenues and Expenses

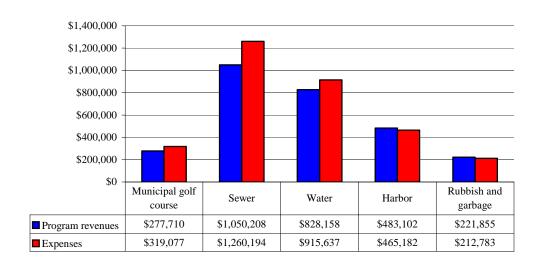




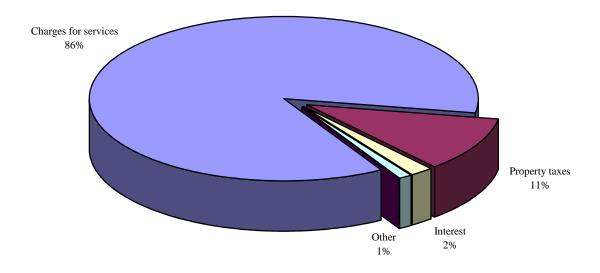
#### **Business-type Activities:**

For the year ended September 30, 2005, revenues for business-type activities were \$3.2 million. Charges for services were 86 percent of gross revenues, or \$2.8 million. Interest income on investments was 2 percent of gross revenues, or \$59,018. Property taxes were 11 percent of gross revenues, or \$364,512; these property taxes are used to make payments on debt incurred for the sewer and water systems.

**Business-type Activities Program Revenues and Expenses** 



# **Business-type Activities Revenue by Source**



The City has four business type-activities: the municipal golf course, sewer and water systems, harbor and rubbish and garbage collection. In total, these four activities generated \$2,860,585 in charges for services, and incurred \$3,172,873 in expenses. In addition, general revenues for business-type activities were \$428,170. There was \$29,561 in transfers to other funds. The City's business-type activities experienced an increase in net assets of approximately \$87,000 for the year.

The Enterprise Funds largely performed to expectations. The phased adoption of our sewer rate increase will continue for one more year and the fund continues to use some cash to offset the increase. The fund has \$632,827 in unrestricted net assets, which will be used in fiscal 2006 to offset approximately \$80,000 in readiness to serve revenues. The Water, Harbor, and Rubbish Funds all enjoyed some degree of operating profitability; 3.0%, 4.9%, and 4.4% of revenues, respectively. The Water Fund unrestricted net assets of \$1.24 million are encumbered in the next fiscal year: \$350-400 thousand for the M-29 watermain construction and some portion of the cost of watermain improvements along Carney and Range roads (an amount of which will be recovered via special assessments). The Rubbish Fund activity reflects a continued contract with Richfield Management which extends through November 2006. A new contract or bid process will begin sometime in the summer of 2006. The Harbor net income of \$23,960 was expected to be higher; however the impact of increased gas prices put boating at a premium this summer, and that was reflected in a reduction in the number of transient boaters that used our Harbor. With the planned reconstruction of the harbor wells and docks in the fall of 2006, it is expected that our Harbor will be an attractive destination in the years to come. Most notably, the operating cash position of the Harbor still supports the annual payment of a reconstruction bond of approximately \$51,000. Pine Shores Golf Course lost less money on operations than last year, from a net loss of \$51,376 in 2004 to \$33,270 in 2005. However, the additional cost of replacing the dump truck used considerably more cash than last year. Additional cost controls and attention to revenue sources will be needed to ensure the continued independence of the Fund.

#### **Capital Assets and Debt Administration:**

At the end of the fiscal year 2005, the City has \$40,704,968 invested, before depreciation, in a wide range of capital assets, including land, buildings and improvements, equipment, furniture and fixtures, site improvements, vehicles, and sewer and water systems. In addition, for the first time, the City is reporting infrastructure assets if any were acquired since October 1, 2003. Infrastructure assets include roads, bridges, sidewalks, storm drains, and other immovable assets.

Debt of \$1,321,010 related to the construction and acquisition of the above-mentioned capital assets is reported as a liability in the governmental activities in the statement of net assets.

Debt related to the business-type activities' capital assets totaling \$7,330,515 is recorded as a liability in the business-type activities in the statement of net assets.

# The City's Funds:

The fund financial statements begin on page 14 and provide detailed information on the most significant governmental funds – not the City as a whole. The City Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2005 include the General Fund, Major Street Fund, and Local Street Fund.

The City's governmental funds reported combined fund balance of \$5,294,643 for this year, an increase of \$3,324,091 from last year. Included in this increase, are proceeds of \$3,436,165 from debt issued in the Major Street Fund for street improvements that will begin in fiscal 2006.

The General Fund pays for most of the City's governmental services. The most significant of these are police and fire, which incurred expenditures of \$1,103,558. General operating millage levied by the City supports these services. General government expenses were \$948,876, followed by insurance and other employee benefit costs of \$404,309. These two areas represent the second and third largest portions of General Fund expenditures.

# **General Fund Budgetary Highlights:**

Differences between the original and final amended budgets for revenues and expenditures were relatively minor. General Fund revenues were not adjusted, as their estimate exceeded the original budget by \$482,801. This overage was largely due to the influx of donations for various City acquisitions and projects, especially the purchase of the Hartlein Property and the improvements made in Rotary Park. Expenses in the General Fund varied by as little as 6% to as much as 411% of budget. The reasons the differences occurred were largely due to a large increase in public capital improvements (from \$81,500 to \$416,500), which were mostly offset by donations received in the General Fund. Operating transfers, planning, elections and several other general government departments were all reduced by a combined \$99,850. The estimated year end position on the budget amendments requested of council in September was an increase in net assets (income) of \$6,751. The City ended fiscal 2005 with a \$37,302 increase in net assets. Part of the disparity results from the effect of the unsettled labor contracts retroactive wages not being posted in fiscal 2005, which equates to about \$16,000 in wages.

#### **Economic Factors:**

The City continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the City faces in upcoming years. The major sources of revenue for the City are property taxes, State-shared revenues, and charges for services. These sources have certain limitations outside of the City's control – taxable value of property in the City has remained flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the City in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation (e.g., health care).

Retiree health care will also have a profound effect on the City's finances in the near future. Slightly more than half of the City's employees eligible for retirement will qualify in the next 10 years. Just next year, 6 employees will be eligible to retire. The City currently provides retirees health care coverage until the employee reaches the age necessary to qualify for Medicare (65). Police retirees receive 100% paid for benefits between age 55-65 and all other employees receive 80% of their insurance paid by the City over the same age period. In the City's pay-as-you-go retiree health plan, there are no assets set aside to pay for this additional cost; it has to come out of current revenues. This 'Baby Boom' reality necessitates the creation of a plan to mitigate the effects of providing this health care for retirees. The City has undertaken an actuarial study to analyze the size of our health-care obligation. That figure, called the Unfunded Accrued Actuarial Liability (UAAL) is estimated to be about \$1,506,868. City management anticipates providing in the fiscal 2007 budget a plan to finance the Annual Required Contribution (ARC) for this liability. The ARC was calculated to be \$113,610.

Additionally, City management is working on a plan to maintain our track record of fully funding our pension obligations. As noted in Note 9 on pages 39-41, the City's pension obligation has been increasing annually, and the City's Pension Fund has been using fund balance annually to supplement the dedicated 1.00 mills levied to support City pensions. That fund balance sits at \$427,403 on September 30, 2005. If the current trend of shortfalls in millage continues, the Pension Fund shall require additional funding to meet our Annual Required Contribution in the next 3 years.

The Industrial Park remains vacant as well. The City is obligated by the Michigan Economic Development Corporation (who gave us the grant to develop the park alongside our own funding) to create jobs in the park to mitigate the requirement of repayment of the original grant (see Note 12). The State of Michigan's economy being as poor as it is, finding companies to occupy the land has proved difficult. Alternative enticements have been explored to enhance our ability to land the first occupant, and those plans have attracted interest. The MEDC has also granted a renewable extension on the original loan effective through July 2006 to enable the City to pursue development and occupants unencumbered.

The bond rating received from Standard & Poor's associated with the \$3.455 million General Obligation Road Bond issue was an "A", with an outlook for the rating as stable. This rating reflects the continued fiscal conservatism anchored by City management and supported by City council through policy and administration. Specifically, the rating also cited the City's moderate debt load and the speed with which it amortizes (68% of the City's debt is scheduled to be paid off within 10 years).

City management continually plans for the long term, and will propose balanced budgets through controls over spending, while striving to provide the City's residents with the same level of service to which they have become accustomed. City council's continuing support of management permits it to meet the expectations of our stakeholders.

#### **Contacting the City's Financial Management:**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Jesionowski, Finance Director, 547 N. Carney Drive, St. Clair, Michigan, 48079.



# STATEMENT OF NET ASSETS

September 30, 2005

	Primary Government							
	Governmental	Business-type		Co	mponent			
	Activities	Activities	<b>Total</b>		Units			
Assets:								
Cash and investments	\$ 7,147,673	\$ 2,140,548	\$ 9,288,221	\$	176,025			
Receivables	2,249,649	696,841	2,946,490		49,129			
Inventory	-	19,446	19,446		-			
Prepaid expenses	319,250	-	319,250		-			
Restricted cash and investments	-	629,927	629,927		-			
Capital assets:								
Nondepreciable capital assets	2,978,688	588,106	3,566,794		-			
Depreciable capital assets, net	5,623,949	17,326,874	22,950,823		-			
Other	200,313	454,322	654,635		_			
Total assets	18,519,522	21,856,064	40,375,586		225,154			
Liabilities:								
Accounts payable and accrued expenses	774,652	214,132	988,784		2,298			
Deferred revenue	2,962,876	376,251	3,339,127		49,129			
Long-term liabilities:								
Due within one year	270,140	543,771	813,911		36,090			
Due in more than one year	4,945,518	7,051,981	11,997,499		205,672			
Total liabilities	8,953,186	8,186,135	17,139,321		293,189			
Net assets:								
Invested in capital assets, net of related debt	7,281,626	10,584,465	17,866,091		(241,762)			
Restricted for:								
Debt service	83,633	629,927	713,560		-			
Streets	84,224	-	84,224		-			
Nonexpendable cemetery principal	213,855	-	213,855		-			
Expendable library trust	44,044	-	44,044		-			
Unrestricted	1,858,954	2,455,533	4,314,487		173,727			
Total net assets	\$ 9,566,336	\$ 13,669,925	\$ 23,236,261	\$	(68,035)			

# STATEMENT OF ACTIVITIES

Year Ended September 30, 2005

				j	Progr	am Revenu				
	<u></u> i	Expenses	Charges for Services		Gi	perating rants and ntributions	Gı	Capital rants and ntributions		Net Expense) Revenue
Functions/Programs PRIMARY GOVERNMENT: Governmental activities:										
General government	\$	1,366,097	\$	226,540	\$	353,744	\$	-	\$	(785,813)
Public safety		1,540,409		82,119		25,477		-		(1,432,813)
Public works		830,029		-		432,590		-		(397,439)
Health and welfare		40,701		-		-		-		(40,701)
Community and economic development		14,393		14,243		3,870		-		3,720
Recreation and culture		686,882		162,363		71,359		213,148		(240,012)
Interest on long-term debt		86,593	_					-	_	(86,593)
Total governmental activities		4,565,104	_	485,265		887,040		213,148		(2,979,651)
Business-type activities:										
Municipal golf course		319,077		277,710		-		-		(41,367)
Sewer		1,260,194		1,050,208		-		-		(209,986)
Water		915,637		828,158		-		-		(87,479)
Harbor		465,182		482,654		448		-		17,920
Rubbish and garbage		212,783		221,855						9,072
Total business-type activities		3,172,873		2,860,585		448				(311,840)
Total primary government	\$	7,737,977	\$	3,345,850	\$	887,488	\$	213,148	\$	(3,291,491)
COMPONENT UNITS:										
Downtown development authority	\$	36,089	\$	-	\$	-	\$	-	\$	(36,089)
Local development finance authority		5,870	_					-		(5,870)
Total component units	\$	41,959	\$	_	\$	_	\$	_	\$	(41,959)

continued

				Business-				
	Go	vernmental	type					<i>'omponent</i>
		Activities	_	Activities	_	Total	_	Units
Changes in net assets								
Net (Expense) Revenue	\$	(2,979,651)	\$	(311,840)	\$	(3,291,491)	\$	(41,959)
Net (Expense) Revenue	Ψ	(2,777,031)	Ψ	(311,040)	Ψ	(3,271,471)	Ψ	(41,737)
General revenues								
Taxes								
Property taxes, levied for general purpose		2,762,448		-		2,762,448		-
Property taxes, captured by DDA and LDFA		-		-		-		35,825
Property taxes, levied for debt service		101,896		364,512		466,408		-
Franchise taxes		138,449		-		138,449		-
Grants and contributions not restricted to						-		
specific programs		528,093		-		528,093		-
Unrestricted investment earnings		140,275		59,018		199,293		4,316
Miscellaneous		64,303		2,926		67,229		-
Contributions to principal of permanent funds		1,275		-		1,275		-
Special item - Gain on sale of capital asset		7,643		1,714		9,357		-
Transfers		15,400	_	(29,561)	_	(14,161)	_	14,161
Total general revenues, contributions,								
special items and transfers		3,759,782		398,609		4,158,391		54,302
r			_		_	, ,	_	
Change in net assets		780,131		86,769		866,900		12,343
Net assets, beginning of year		8,786,205	_	13,583,156		22,369,361		(80,378)
Net assets, end of year	\$	9,566,336	\$	13,669,925	\$	23,236,261	\$	(68,035)

## GOVERNMENTAL FUNDS

# **BALANCE SHEET**

September 30, 2005

	General Fund			Major Street Fund		Local Street Fund		Nonmajor vernmental Funds	Go	Total vernmental Funds
Assets:	¢	1 757 950	¢.	2 422 021	¢	104 220	\$	902 452	¢	( )57 571
Cash and investments Taxes receivable	\$	1,756,859	\$	3,423,021 22.337	\$	184,238 175,804	Э	893,453 63,828	\$	6,257,571
Accounts receivable		1,619,545 1,398		22,337		173,804		11,633		1,881,514
		1,398		-		-				13,031
Special assessments receivable		-		-		-		26,427 1,500		26,427
Notes receivable Accrued interest receivable		-		-		-		2,474		1,500
Due from other governmental units		62,296 117,240		43,607		17,538		62,526		64,770 240,911
Due from other funds		39,573		43,007		17,556		02,320		39,573
Prepaid expenditures		39,573		9,360		9,387		-		39,373
Advance receivable from other funds	_	181,478		9,300		9,367				181,478
Total assets	\$	4,078,892	\$	3,498,325	\$	386,967	\$	1,061,841	\$	9,026,025
Liabilities and Fund Balances: Liabilities: Accounts payable										
and accrued expenses	\$	112,720	\$	22,732	\$	15,199	\$	30.308	\$	180,959
Due to other funds	Ψ	112,720	Ψ	22,732	Ψ	13,177	Ψ	39,573	Ψ	39,573
Deposits payable		10,180		_		_		48,639		58,819
Advance payable to other funds		-		_		_		462,638		462,638
Deferred revenue		2,555,412		34,626		273,511		125,844		2,989,393
Total liabilities		2,678,312		57,358		288,710		707,002		3,731,382
Fund balances:										
Reserved for:										
Prepaid expenditures		300,503		9,360		9,387		-		319,250
Debt service		-		-		-		83,633		83,633
County recreation projects		-		-		-		117,691		117,691
Advance receivable		181,478		-		-		-		181,478
Nonexpendable cemetery principal		-		-		-		213,855		213,855
Expendable library trust		-		-		-		44,044		44,044
Unreserved:		010 500								010.500
General fund		918,599		-		-		-		918,599
Special revenue funds		-		3,431,607		88,870		157,479		3,677,956
Capital projects fund				-				(261,863)		(261,863)
Total fund balances	_	1,400,580		3,440,967		98,257	_	354,839		5,294,643
Total liabilities and fund balances	\$	4,078,892	\$	3,498,325	\$	386,967	\$	1,061,841	\$	9,026,025

# RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

September 30, 2005

Total fund balances for governmental funds		\$	5,294,643
Total net assets reported for governmental activities in the statement of of net assets is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Governmental capital assets	11,955,426		
Less accumulated depreciation	(3,749,964)		8,205,462
Bond issuance costs are recorded as expenditures in the governmental funds but are deferred in the statement of net assets and are amortized.			18,835
The retroactive payment for the contract ratification for the police officers is not paid from current resources and therefore are not reported in the governmental funds.			(16,259)
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.			(52,445)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.			26,517
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:			
Bonds payable	(4,776,010)		
Compensated absences payable	(425,525)	(	(5,201,535)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.			1,291,118

Net assets of governmental activities

\$ 9,566,336

## GOVERNMENTAL FUNDS

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2005

		General Fund		Major Street Fund		Local Street Fund		Nonmajor vernmental Funds	Total Governmental Funds		
Revenues:											
Property taxes	\$	2,413,437	\$	176,967	\$	172,043	\$	101,897	\$	2,864,344	
Licenses and permits		89,311		-		-		135,817		225,128	
Federal grants		-		-		-		3,870		3,870	
State grants		534,379		264,885		106,438		61,267		966,969	
Contributions from other units		-		-		-		22,001		22,001	
Charges for services		147,058		-		-		169,921		316,979	
Fines and forfeits		10,663		-		-		-		10,663	
Interest and rents		89,245		29,429		3,318		31,694		153,686	
Other revenue	_	672,595						56,410		729,005	
Total revenues		3,956,688		471,281		281,799		582,877		5,292,645	
Expenditures:											
Current		049.976								049.976	
General government Public safety		948,876		-		-		134,081		948,876 1,237,639	
Public works		1,103,558 233,994		413,242		272,832		58,293		978,361	
Health and welfare		*		413,242		212,032		36,293		27,058	
Community and economic development		27,058 2,981		-		-		11,412		14,393	
Recreation and culture		253,577		-		-		362,565		616,142	
Other		404,309		-		-		302,303		404,309	
Capital outlay		644,204		186,771		_		27,562		858,537	
Debt service		044,204		100,771		_		27,302		656,557	
Principal		430		25,454		4,547		239,286		269,717	
Interest and charges		20		7,922		920		56,225		65,087	
Total expenditures	_	3,619,007		633,389		278,299		889,424	_	5,420,119	
Excess (deficiency) of											
revenues over expenditures		337,681		(162,108)		3,500		(306,547)		(127,474)	
Other financing sources (uses)											
Proceeds from debt issued		_		3,436,165		_		-		3,436,165	
Transfers in		6,600		-		_		334,447		341,047	
Transfers out		(306,979)		_		(12,068)		(6,600)		(325,647)	
	_		_		_				_		
Total other financing sources (uses)	_	(300,379)	_	3,436,165	_	(12,068)	_	327,847		3,451,565	
Net change in fund balances		37,302		3,274,057		(8,568)		21,300		3,324,091	
Fund balances, beginning of year	_	1,363,278	_	166,910	_	106,825		333,539		1,970,552	
Fund balances, end of year	\$	1,400,580	\$	3,440,967	\$	98,257	\$	354,839	\$	5,294,643	

The accompanying notes are an integral part of these financial statements.

# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2005

Net change in fund balances - total governmental funds		\$ 3,324,091
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	984,221	
Less depreciation expense	(331,000)	653,221
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.		(20,085)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Debt issued	(3,436,165)	
Repayments of long-term debt	271,033	(3,165,132)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences payable	(5,071)	
Change in accrued interest on bonds payable	(22,822)	
Retroactive payment for ratification of police officers contract	(16,259)	(44,152)
The net revenue (expense) of the internal service fund is reported with		
governmental activities.		32,188
Change in net assets of governmental activities		\$ 780,131

## PROPRIETARY FUNDS

# STATEMENT OF NET ASSETS

September 30, 2005

					Business-typ	e A	ctivities				
					71				onmajor sterprise		
			Major Enter	pris	se Funds				Fund		
	Municipal Golf Course		Sewer		Water		Harbor		ubbish and arbarge		
	Fund	_	Fund		Fund	_	Fund		Fund	_	Total
Assets:											
Current assets: Cash and investments	\$ 116,861	\$	293,670	\$	1,263,170	\$	420,750	\$	46,097	\$	2,140,548
Taxes receivable	\$ 110,001 -	Ψ	181,222	Ψ	60,381	Ψ	-	Ψ	-0,077	Ψ	241,603
Accounts receivable	-		227,469		149,398		-		34,806		411,673
Special assessments receivable	-		28,753		14,812		-		-		43,565
Accrued interest receivable	-		-		-		-		-		-
Due from other governmental units	-		-		-		10.111		-		-
Inventory		_				_	19,444	_		-	19,444
Total current assets	116,861	_	731,114	_	1,487,761	_	440,194		80,903	_	2,856,833
Noncurrent assets:											
Restricted cash and investments	56,291		320,650		252,986		-		-		629,927
Capital assets:	272 712		100.050		16 402		176 653				500 106
Nondepreciable capital assets Depreciable capital assets, net	272,712 666,799		122,258 13,738,180		16,483 2,520,603		176,653 401,292		-		588,106 17,326,874
Advance receivable from other funds	000,799		199,600		81,560		401,292		-		281,160
Deferred charges	31,766		127,488		13,908		_		_		173,162
Total noncurrent assets	1,027,568		14,508,176		2,885,540		577,945		-		18,999,229
Total assets	1,144,429		15,239,290		4,373,301		1,018,139		80,903		21,856,062
Liabilities:											
Current liabilities:											
Accounts payable											
and accrued expenses	37,045		20,428		64,685		34,956		4,125		161,239
Deposits payable	-		3,000		-		2,200		-		5,200
Accrued interest payable	3,835		33,337		10,521		-		-		47,693
Deferred revenue	886		281,581		93,784		-		-		376,251
Current portion of long-term debt	60,240	_	344,630	_	138,901	_		_			543,771
Total current liabilities	102,006	_	682,976	_	307,891	_	37,156		4,125	_	1,134,154
Noncurrent liabilities:											
Compensated absences payable	7,717		87,029		170,493		-		-		265,239
Long-term debt	343,457		6,209,722	_	233,565				-		6,786,744
Total noncurrent liabilities	351,174	_	6,296,751	_	404,058	_		_	-	_	7,051,983
Total liabilities	453,180		6,979,727		711,949	_	37,156		4,125		8,186,137
Net assets:											
Invested in capital assets,											
net of related debt	535,814		7,306,086		2,164,620		577,945		-		10,584,465
Restricted for:	•		•		•		•				
Debt service	56,291		320,650		252,986		-		-		629,927
Unrestricted	99,144	_	632,827	_	1,243,746	_	403,038	_	76,778		2,455,533
Total net assets	\$ 691,249	\$	8,259,563	\$	3,661,352	\$	980,983	\$	76,778	\$	13,669,925

## Governmental Activities

	nternal Service Funds
\$	890,102
	-
	1,301
	20,195
	911,598
	-
	_
	397,175
	-
	397,175
	1,308,773
	3,532
	-
	-
	<u> </u>
	3,532
	14,123
	14,123
	17,655
	397,175
	397,173
	- 802 042
•	893,943
\$	1,291,118

## PROPRIETARY FUNDS

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended September 30, 2005

	Business-type Activities						
					Nonmajor Enterprise		
	1	Major Enter	rprise Funds		Fund		
	Municipal Golf Course Fund	Sewer Fund	Water Fund	Harbor Fund	Rubbish and Garbage Fund	Total	
Operating revenues:							
Charges for services	\$ 264,323	\$ 1,039,012	\$ 818,620	\$ 471,123	\$ 216,309	\$ 2,809,387	
Penalties	-	9,362	9,047	-	5,546	23,955	
Equipment rental	-	-	-	-	-	-	
Other		1,834	491	11,531		13,856	
Total operating revenues	264,323	1,050,208	828,158	482,654	221,855	2,847,198	
Operating expenses:							
Personnel	127,594	242,029	372,703	104,211	-	846,537	
Fringe benefits	48,220	89,437	91,356	18,654	_	247,667	
Supplies	28,054	35,932	45,834	212,228	469	322,517	
Contracted services	6,881	72,145	24,519	34,082	212,314	349,941	
Administrative expense	9,000	24,000	22,800	18,900	-	74,700	
Telephone	3,473	3,750	911	886	-	9,020	
Mileage	-	316	-	-	-	316	
Dues and membership fees	190	2,487	837	660	-	4,174	
Education and training	422	723	1,246	725	-	3,116	
Printing and publishing	2,207	-	-	1,396	-	3,603	
Insurance	4,163	19,393	15,567	7,378	-	46,501	
Utilities	14,561	93,989	55,847	19,964	-	184,361	
Repair and maintenance	16,253	40,563	76,857	19,595	-	153,268	
Equipment rental	11,690	10,871	48,559	-	-	71,120	
Other services and supplies	330	213	144	801	-	1,488	
Depreciation	61,903	391,458	122,610	25,702		601,673	
Total operating expenses	334,941	1,027,306	879,790	465,182	212,783	2,920,002	
Operating income (loss)	(70,618)	22,902	(51,632)	17,472	9,072	(72,804)	
Non-operating revenues							
(expenses): Property taxes		268,161	96,351			364,512	
Interest income	3.547	15,580	28,680	10,511	700	59,018	
Rental income	13,387	13,360	26,060	10,311	700	13,387	
Other revenue	35,510	-	-	538	-	36,048	
Interest expense	(15,096)	(232,888)	(35,847)	-	_	(283,831)	
1	(15,070)	(232,000)	(33,647)			(203,031)	
Total non-operating revenues (expenses)	37,348	50,853	89,184	11,049	700	189,134	
Net income (loss) before							
operating transfers	(33,270)	73,755	37,552	28,521	9,772	116,330	
Operating transfers:							
Transfer to other funds	_	(12,500)	(12,500)	(4,561)	_	(29,561)	
Total operating transfers		(12,500)		(4,561)		(29,561)	
Net income (loss)	(33,270)	61,255	25,052	23,960	9,772	86,769	
Net assets, beginning of year	724,519	8,198,308	3,636,300	957,023	67,006	13,583,156	
Net assets, end of year			<u> </u>			\$ 13,669,925	
raci assets, end of year	\$ 691,249	\$ 8,259,563	\$ 3,661,352	\$ 980,983	\$ 76,778	Ψ 15,007,725	

## Governmental Activities

5	nternal Service Funds
\$	-
	232,836
	232,836
	47,820 22,369 2,839 522
	- - -
	305
	12,568 37,300
	99,372 223,095
	9,741
	- 22,447 - - -
	22,447
	32,188
	<u>-</u>
	32,188 1,258,930
\$	1,291,118

## PROPRIETARY FUNDS

# STATEMENT OF CASH FLOWS

Year Ended September 30, 2005

	Business-type Activities											
				Major Enter	rnris	se Funds				Nonmajor Enterprise Fund		
		Municipal Golf Course Fund		Sewer Fund		Water Fund		Harbor Fund		Rubbish and Garbage Fund		Total
Cash flows from operating activities: Cash received from customers Cash received for interfund services	\$	233,592	\$	1,041,960	\$	845,625	\$	484,891	\$	223,412	\$	2,829,480
Cash payments to employees Cash payments to suppliers for goods and services	_	(124,613) (145,287)		(243,168) (404,457)	_	(364,004) (343,614)		(104,211) (328,913)	_	(212,783)		(835,996) (1,435,054)
Net cash provided (used) by operating activities	_	(36,308)		394,335		138,007		51,767		10,629		558,430
Cash flows from non-capital financing activities: Insurance recoveries and other miscellaneous		35,510		_		_		538		_		36,048
Operating transfers out		-		(12,500)		(12,500)		(4,561)				(29,561)
Net cash provided (used) by non-capital financing activities	_	35,510		(12,500)	_	(12,500)		(4,023)	_			6,487
Cash flows from capital and related financing activities:												
Property taxes received Rent received		13,387		268,161		96,351		-		-		364,512 13,387
Acquisition and construction of capital assets		(63,508)		(33,220)		(57,671)		(155,602)		-		(310,001)
Principal payments		(62,257)		(534,772)		(131,402)		-		_		(728,431)
Interest paid		(15,096)		(232,888)		(35,847)		-		-		(283,831)
Amortization of deferred charges	_	5,295	_	30,944	_	12,157	_		_			48,396
Net cash provided (used) by capital and related financing activities	_	(122,179)		(501,775)	_	(116,412)		(155,602)	_			(895,968)
Cash flows from investing activities: Interest received		3,547		15,580	_	28,680		10,511	_	700		59,018
Net cash provided by investing activities		3,547		15,580		28,680		10,511		700		59,018
Net increase (decrease) in cash												
and cash equivalents		(119,430)		(104,360)		37,775		(97,347)		11,329		(272,033)
Cash and cash equivalents, beginning of year		292,582		718,680		1,478,381		518,097		34,768		3,042,508
Cash and cash equivalents, end of year	\$	173,152	\$	614,320	\$	1,516,156	\$	420,750	\$	46,097	\$	2,770,475
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:												
Operating income (loss) Adjustments	\$	(70,618)	\$	22,902	\$	(51,632)	\$	17,472	\$	9,072	\$	(72,804)
Depreciation Change in assets and liabilities		61,903		391,458		122,610		25,702		-		601,673
Taxes receivable		-		(20,396)		(2,596)		-		-		(22,992)
Accounts receivable		-		(6,037)		20,175		265		1,557		15,960
Special assessments receivable Accrued interest receivable		-		4,765		2,455		-		-		7,220
Due from other governmental units		-		_		_		1,972		_		1,972
Inventory		-		-		-		(2,312)		-		(2,312)
Accounts payable and accrued expenses		2,635		(650)		44,157		8,668		-		54,810
Accrued interest payable		(2,478)		(9,988)		(3,294)		-		-		(15,760)
Deferred revenue Compensated absences payable		(30,731) 2,981		13,420 (1,139)		(2,567) 8,699		-		-		(19,878) 10,541
Net cash provided (used) by	_	2,731	_	(1,137)	_	0,077	_		_	<del></del>	-	10,541
operating activities	\$	(36,308)	\$	394,335	\$	138,007	\$	51,767	\$	10,629	\$	558,430

#### Governmental Activities

	nternal Service Funds
\$	4,225
	232,836
	(47,553)
	(73,881)
	115,627
	=
	=
	_
	-
	(21,565)
	-
	(21,565)
	22,447
	22,447
	116,509
	773,593
\$	890,102
\$	9,741
	99,372
	- (1.201)
	(1,301) 4,866
	660
	-
	2,022
	-
	- 267
\$	115,627
Ψ	113,027

# FIDUCIARY FUNDS

# STATEMENT OF NET ASSETS

September 30, 2005

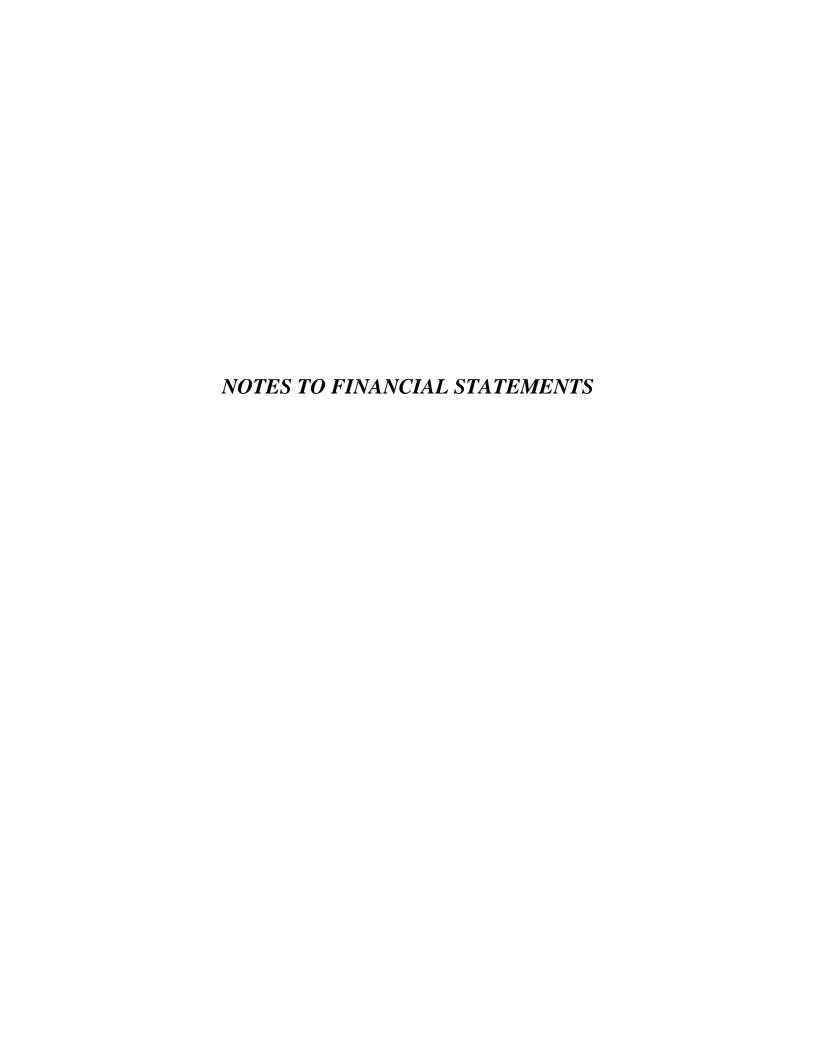
	Pension Trust Fund		Agency Funds	Total	
Assets:					
Cash and investments	\$	552,655	\$ 3,310,408	\$	3,863,063
Taxes receivable		147,827	=		147,827
Accounts receivable			454		454
Total assets		700,482	3,310,862		4,011,344
Liabilities:					
Undistributed tax collections		43,160	2,040,559		2,083,719
Due to other governmental units		-	1,270,303		1,270,303
Deferred revenue		229,919			229,919
Total liabilities		273,079	3,310,862		3,583,941
Net Assets:					
Net assets held in trust		427,403		_	427,403
Total net assets	\$	427,403	\$ -	\$	427,403

## FIDUCIARY FUNDS

# STATEMENT OF CHANGES IN NET ASSETS

Year Ended September 30, 2005

	Pension Trust Fund
Additions:	
Property taxes	\$ 216,937
Investment income (loss)	14,138
Total additions	231,075
<b>Deductions:</b>	
Benefit payments	400,158
Total deductions	400,158
Net increase (decrease)	(169,083)
Net assets, beginning of year	596,486
Net assets, end of year	<u>\$ 427,403</u>



#### NOTES TO FINANCIAL STATEMENTS

September 30, 2005

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Clair, Michigan, a Municipal Corporation, was organized as a Village in 1850 under provisions of the Constitution and general law of the State of Michigan, and became a Home Rule City in 1980 under a local act. Located approximately 48 miles from Detroit and 12 miles from Port Huron, the City of St. Clair covers an area of approximately five square miles and is one of seven cities in St. Clair County, Michigan, each of which is a separate governmental entity. The City operates under an elected City Council, which consists of a Mayor and six Council members, with daily activities operated by the City Superintendent, Clerk, and Treasurer. The City provides services to more than 5,000 residents in many areas, including law enforcement, fire protection, water, sewer, streets, parks, and recreation.

The accounting policies of the City of St. Clair conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

# Reporting Entity:

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City should be included within its financial reporting entity. These funds and account groups are those which meet the criteria established by the National Council on Governmental Accounting (NCGA) in Statement No. 3, *Defining the Governmental Reporting Entity*. Statement No. 3 is considered to be a generally accepted accounting principle by the Governmental Accounting Standards Board (GASB).

The criteria established by the NCGA and adopted by the GASB for determining which of the City's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the City. The criteria include, but are not limited to, whether the City exercises oversight responsibility, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financial relationships.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

**Blended Component Units** – Blended component units are component units so intertwined with the primary government that they are, in substance, the same as the primary government and are presented as part of the primary government. The blended component units are:

**Building Authority** - The Building Authority is governed by a Board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

September 30, 2005

**Discretely Presented Component Units -** These units are reported in a separate column to emphasize that they are legally separate from the City. The component units are described as follows:

**Local Development Finance Authority** - The Local Development Finance Authority (LDFA) was created for the improvement of future industrial property and for non-motorized pathways, traffic control, and safety improvements. The LDFA's governing body, which consists of 12 members, is selected by the City Council. In addition, the budgets and expenditures of the LDFA must be approved by the City Council.

**Downtown Development Authority** - The Downtown Development Authority (DDA), created during 2003, is a separate legal entity. The budgets and expenditures of the DDA must be approved by the City Council. The City also has the ability to significantly influence operations of the DDA.

**Economic Development Corporation** - The Economic Development Corporation (EDC) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving or expanding within the City so as to provide needed services and facilities of such enterprises to residents. The EDC's governing body is selected by the City Council. The EDC was inactive during the year and has no assets and liabilities.

**Joint Ventures** – The St. Clair Area Fire Authority is a joint venture with the Townships of China, East China, and St. Clair. The Authority was established effective October 1, 2002 in accordance with *Michigan Public Act No. 33 of 1951* for the purpose of forming a joint fire authority for uniform and orderly control of fire protection, fire department functions (including purchases, leases, and insurance coverage), and financing within the territorial limits of the City of St. Clair and the surrounding townships. Complete financial statements for the Authority can be obtained from the City Finance Director. The City's fire department assets are being leased to the Fire Authority for \$1 per year.

#### **Basis of Presentation – Fund Accounting:**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

#### **Basis of Accounting:**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

September 30, 2005

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from current year activities.

#### **FUND FINANCIAL STATEMENTS:**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The City reports the following major governmental funds:

<u>General Fund</u> – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

September 30, 2005

<u>Major Street Fund</u> – The Major Street Fund is used to account for the maintenance and construction of the City's major street system.

<u>Local Street Fund</u> – The Local Street Fund is used to account for the maintenance and construction of the City's local street system.

The City reports the following major enterprise funds:

<u>Municipal Golf Course Fund</u> – The Municipal Golf Course Fund is used to account for the revenues and expenses for the operation of a golf course.

<u>Sewer Fund</u> – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

<u>Water Fund</u> – The Water Fund is used to account for the revenues and expenses for the operation of a water system.

<u>Harbor Fund</u> – The Harbor Fund is used to account for the revenues and expenses for the operation of this fund.

#### **Assets, Liabilities and Equity:**

<u>Cash and Investments</u> – Cash and investments include cash on hand, demand deposits, time deposits, highly liquid investments with original maturity of three months or less, U.S. governmental securities, interlocal agreements, bank investments pools, and mutual funds. Investments are reported at fair value, based on quoted market prices.

<u>Receivables and Payables</u> – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

<u>Property Taxes</u> – Properties are assessed as of December 31, and the related property taxes become a lien on that date. These taxes are billed on the following August 1, are due on September 30, with the final collection date of February 28 before they are added to the county tax rolls.

The 2004 taxable valuation of the City totaled \$216,960,080, on which ad valorem taxes levied consisted of 12.3503 mills for the City's operating purposes, 1.000 mill for pension, and 2.1497 mills for debt.

Property taxes billed during the month of August will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at September 30.

<u>Inventories and Prepaid Expenses</u> – Inventories are valued at the lower of cost (on a first-in, first-out basis) or market. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

September 30, 2005

<u>Capital Assets</u> – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after October 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10-50 years
Equipment	4-20 years
Furniture and fixtures	5-15 years
Site improvements	5-20 years
Vehicles	3-10 years
Distribution systems	15-50 years

<u>Compensated Absences</u> – It is the City's policy to permit employees to accumulate earned but unused sick and vacation days. Under the City's policy, employees earn benefits based on time of service with the City. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

<u>Long-term Obligations</u> – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### **Eliminations and Reclassifications**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

September 30, 2005

#### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. The City Finance Director and Superintendent submit to the City Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Prior to October 1, the budget is legally enacted by adoption of the City Council.
- 4. Any revision that alters the total expenditures of any fund must be approved by the City.
- 5. Formal budgetary integration is employed as a management control device during the year for all funds.
- 6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
- 7. All annual appropriations lapse at fiscal year end.

#### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	Final	Final		
	<u>Budget</u>	<u>Actual</u>	Final Budget	
General Fund:				
Public safety	\$ 1,102,129	\$ 1,103,558	\$ 1,429	
Public works	220,591	233,994	13,403	
Health and welfare	26,478	27,058	580	
Recreation and culture	232,106	253,577	21,471	
Capital outlay	609,440	644,204	34,764	
Special Revenue Funds:				
Major Street Fund - Public works	395,314	413,242	17,928	

#### **NOTE 3: DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

September 30, 2005

The investment policy adopted by the City Council is in accordance with Public Act 196 of 1997. The City's deposits and investments have been made in accordance with statutory authority.

The City's deposits and investments are subject to several types of risk, which are examined in more detail below:

### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$5,111,750 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$315,906 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

#### **Custodial Credit Risk of Investments:**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or an agent in the City's name:

	Carrying	
<u>Investment</u>	<u>Value</u>	How Held
U.S. government and agency securities	\$ 3,915,320	Counterparty

### **Interest Rate Risk:**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	Weighted Average <u>Maturity</u>
U.S. government and agency securities:		
Federal Home Loan Mortgage Corporation	\$ 544,139	6 years
Federal Home Loan Bank	2,051,156	9 years
Fannie Mae	176,176	8 years
Federal Farm Credit Bank	444,200	6 years
Federal National Mortgage Association	699,649	10 years

September 30, 2005

### **Credit Risk:**

As of year end, the credit quality ratings of debt securities are as follows:

<u>Investment</u>	Fair Value	Rating	Rating <u>Organization</u>
U.S. government and agency securities	\$ 1,914,857	AAA	S & P
U.S. government and agency securities	1,314,153	AAA	Moody
U.S. government and agency securities	686,310		Not rated
Interlocal agreement fund - MBIA	2,092,556		Not rated

## **Concentration of Credit Risk:**

The City places no limit on the amount the City may invest in any one issuer. At year end, the City had more than 5% of its investments in the following:

<u>Investment</u>	<u>Fair Value</u>	<b>Concentration</b>
U.S. government and agency securities:		
Federal Home Loan Mortgage Corporation	\$ 544,139	14%
Federal Home Loan Bank	2,051,156	52%
Fannie Mae	176,176	5%
Federal Farm Credit Bank	444,200	11%
Federal National Mortgage Association	699,649	18%

## **NOTE 4: CAPITAL ASSETS**

Capital assets activity of the City's governmental and business-type activities was as follows:

	October 1, 2004	Additions	Disposals	Se	ptember 30, 2005
Governmental activities:					
Nondepreciable capital assets					
Land	\$ 2,179,445	\$ 354,495	\$ -	\$	2,533,940
Construction in progress		444,748			444,748
Subtotal nondepreciable capital assets	2,179,445	799,243	-		2,978,688
Depreciable capital assets					
Buildings and improvements	4,671,495	20,088	-		4,691,583
Equipment	1,912,178	106,183	-		2,018,361
Furniture and fixtures	336,047	-	-		336,047
Infrastructure	-	2,294	-		2,294
Site improvements	1,606,764	27,998	_		1,634,762
Vehicles	1,512,277	49,981	(39,377)		1,522,881
Subtotal depreciable capital assets	10,038,761	206,544	(39,377)		10,205,928
Accumulated depreciation	(4,190,984)	(430,372)	39,377		(4,581,979)
Depreciable capital assets, net	5,847,777	(223,828)			5,623,949
Governmental activities, capital assets, net	\$ 8,027,222	\$ 575,415	\$ -	\$	8,602,637

	0	ctober 1, 2004	Additions	Disposals	Se	ptember 30, 2005
<b>Business-type activities:</b>						
Nondepreciable capital assets						
Land	\$	588,106	\$ -	\$ -	\$	588,106
Construction in progress - retention basin		5,171,169	33,219	(5,204,388)		
Subtotal nondepreciable capital assets		5,759,275	33,219	(5,204,388)		588,106
Depreciable capital assets						
Buildings and improvements		8,448,733	-	-		8,448,733
Equipment		706,240	60,785	-		767,025
Sewer system		7,435,313	5,204,388	-		12,639,701
Site improvements		1,425,852	182,087	-		1,607,939
Vehicles		35,040	_			35,040
Water system		3,399,898	33,910			3,433,808
Subtotal depreciable capital assets		21,451,076	5,481,170			26,932,246
Accumulated depreciation		(9,003,699)	(601,673)			(9,605,372)
Depreciable capital assets, net		12,447,377	4,879,497			17,326,874
Business-type activities, capital assets, net	\$	18,206,652	\$4,912,716	\$ (5,204,388)	\$	17,914,980
Depreciation expense was charged to programs	of the	primary gov	vernment as t	follows:		
Governmental activities:						
General government					\$	81,267
Public safety						89,805
Public works						152,786
Health and welfare						5,982
Recreation and culture						100,532
Total governmental activities					\$	430,372
Business-type activities:						
Municipal golf course					\$	61,903
Sewer						391,458
Water						122,610
Harbor					_	25,702
Total business-type activities					\$	601,673

September 30, 2005

### **NOTE 5: DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	
Primary Government:			
Property taxes collected in advance	\$ -	\$ 3,331,499	
Special assessments	26,517		
Other	-	7,628	
	\$ 26,517	\$ 3,339,127	
Component Units:			
Property taxes collected in advance	\$ -	\$ 49,129	
.17	<del></del>		

#### **NOTE 6: LONG-TERM DEBT**

The City may issue bonds for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

	Principal Maturity Ranges	Beginning Balance	•		Due Within One Year
Governmental Activities:					
General obligation bonds - 1992 Michigan					
Transportation Fund (LTGO) for \$355,000					
at 6% interest; Maturing through					
May 1, 2007	\$30,000-35,000	\$ 95,000	\$ (30,000)	\$ 65,000	\$ 30,000
General obligation bonds - 1994 G/O					
Unlimited Tax Refunding Bonds for \$597,318					
(26.43% of \$2,260,000 issue) at 5.00 to					
5.50% interest; Maturing through					
November 1, 2005	96,470	190,296	(93,826)	96,470	96,470
General obligation bonds - 1997 G/O					
Limited Tax Bonds for \$100,000 at 4.80 to					
5.10% interest; Maturing through					
November 1, 2007	10,000	40,000	(10,000)	30,000	10,000
General obligation bonds - 1999 Building					
Authority Bonds for \$995,000 at 4.60 to					
4.625% interest; Maturing through					
November 1, 2014	55,000-85,000	760,000	(55,000)	705,000	55,000
General obligation bonds - 2004 Building					
Authority Refunding Bonds for \$415,000					
(35.78% of \$1,160,000 issue) at 2.00 to					
3.00% interest; Maturing through					
November 1, 2011	33,943-64,404	415,000	(55,459)	359,541	53,670
General obligation bonds - 2005 G/O					
Unlimited Tax Bonds for \$3,455,000					
at 3.0 to 3.6% interest; Maturing through					
November 1, 2016	225,000-480,000	-	3,455,000	3,455,000	-
Special assessment bonds - 1997 Special					
Assessment Bonds for \$220,000 at 4.75 to					
5.00% interest; Maturing through					
November 1, 2007	20,000-25,000	90,000	(25,000)	65,000	25,000
Note payable - Postage Meter					
Maturing through August 31, 2005	-	1,748	(1,748)	-	-
Compensated absences		434,310	5,338	439,648	
Total Governmental Activities		\$ 2,026,354	\$ 3,189,305	\$ 5,215,659	\$ 270,140

	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Business-type Activities:</b>					
General obligation bonds - 1994 G/O					
Unlimited Tax Refunding Bonds for					
\$1,662,682 (73.57% of \$2,260,000					
issue) at 5.00 to 5.50% interest;					
Maturing through November 1, 2005	\$268,531	\$ 529,705	\$ (261,174)	\$ 268,531	\$ 268,531
General obligation bonds - 2002 State					
Revolving Fund Bonds for \$4,948,287					
at 2.5% interest; Maturing through					
October 1, 2023	203,287-310,000	4,753,287	(205,000)	4,548,287	-
General obligation bonds - 2002 Capital					
Improvement Bonds for \$410,000					
at 3.0 to 4.7% interest; Maturing through					
October 1, 2022	15,000-30,000	410,000	(15,000)	395,000	-
General obligation bonds - 2004 General					
Obligation Refunding Bonds for \$830,000					
at 2.0 to 3.4% interest; Maturing through					
November 1, 2013	80,000-100,000	830,000	(55,000)	775,000	80,000
General obligation bonds - 2004 Building					
Authority Refunding Bonds for \$465,954					
(40.16% of \$1,160,000 issue) at 2.00 to					
3.00% interest; Maturing through					
November 1, 2011	38,241-72,288	465,954	(62,257)	403,697	60,240
Revenue bonds - 1989 Refunding Water					
Bonds for \$560,000 at 7.40 to 7.50%					
interest; Maturing through					
November 1, 2009	40,000-55,000	265,000	(35,000)	230,000	40,000
Revenue bonds - 1998 Sewer System					
Refunding Bonds for \$995,000 at 4.25 to					
4.75% interest; Maturing through					
May 1, 2011	80,000-115,000	690,000	(80,000)	610,000	80,000
Special assessment bonds - 2001 Special					
Assessment Limited Tax Bonds for					
\$150,000 at 4.75% to 5.0% interest;	1,5,000,000	115,000	(15,000)	100.000	15.000
Maturing through April 1, 2011	15,000-20,000	115,000	(15,000)	100,000	15,000
Compensated absences		254,698	10,540	265,238	
		\$ 8,313,644	\$ (717,891)	\$ 7,595,753	\$ 543,771

	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Component Units:					
General obligation bonds - 2004 Building					
Authority Refunding Bonds for \$279,046					
(24.06% of \$1,160,000 issue) at 2.00 to					
3.00% interest; Maturing through					
November 1, 2011	\$22,807-43,308	\$ 279,046	\$ (37,284)	\$ 241,762	\$ 36,090

Annual debt service requirements to maturity for the above bond obligations are as follows:

Year Ended		Gov	Governmental Activities			Business-type Activiti				ities	ties			
September 30,		Principal		Interest		Total		Total Pris		Principal		Interest		Total
2006	\$	270,140	\$	49,360	\$	319,500	\$	543,771	\$	150,010	\$	693,781		
2007		178,670		256,059		434,729		520,240		195,926		716,166		
2008		370,459		145,223		515,682		527,248		179,020		706,268		
2009		377,615		133,254		510,869		545,280		161,354		706,634		
2010		409,404		120,812		530,216		602,288		142,340		744,628		
2011-2015		2,244,723		377,477		2,622,200		1,898,401		491,233		2,389,634		
2016-2020		925,000		33,708		958,708		1,495,000		275,047		1,770,047		
2021-2024	_				_			1,198,287	_	68,583	_	1,266,870		
	\$	4,776,011	\$	1,115,893	\$	5,891,904	\$	7,330,515	\$	1,663,513	\$	8,994,028		

Year Ended		Component Units									
September 30,	Principal			Interest	Total						
2006	\$	36,090	\$	5,153	\$	41,243					
2007		36,090		4,432		40,522					
2008		37,293		3,698		40,991					
2009		42,105		2,877		44,982					
2010		43,308		1,889		45,197					
2011-2012		46,876		1,359		48,235					
	\$	241,762	\$	19,408	\$	261,170					

## NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

	Governmental <u>Activities</u>		siness-type Activities	Component Units	
Receivables:					
Taxes	\$ 1,881,514	\$	241,603	\$	49,129
Accounts	14,242		411,673		-
Special assessments	46,712		43,565		-
Notes	1,500		-		-
Interest	64,770		-		-
Intergovernmental	240,911				
Total receivables	\$ 2,249,649	\$	696,841	\$	49,129
Accounts payable and accrued expenses:					
Accounts	\$ 184,491	\$	161,239	\$	-
Deposits payable	58,819		5,200		-
Interest	52,445		47,693		2,298
Advance to other funds	462,638				
Total accounts payable and accrued expenses	\$ 758,393	\$	214,132	\$	2,298

September 30, 2005

### NOTE 7: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at September 30, 2005 is as follows reported in the fund financial statements:

Receivable Fund	Payable Fund	A	mount
General Fund General Fund			32,973 6,600
		\$	39,573

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund transfers at September 30, 2005 is as follows reported in the fund financial statements:

Funds Transferred From	Funds Transferred To		Amount	
General Fund	Nonmajor Governmental Funds			
	Recreation Fund	\$	92,280	
	Building Department Fund		40,370	
	Cable Programming Fund		34,180	
	1999 Building Authority Fund		88,840	
	2004 Building Authority Fund		41,709	
	Component Units			
	Local Development Finance Authority	-	9,600	\$ 306,979
Local Street Fund	Nonmajor Governmental Funds			
	1997 Road Construction Bond Fund			12,068
Nonmajor Governmental Funds Cemetery Perpetual Care Fund	General Fund			6,600
GFI	Name of Community I Fig. 1.			
Sewer Fund	Nonmajor Governmental Funds 2004 Building Authority Fund			12,500
Water Fund	Nonmajor Governmental Funds			
	2004 Building Authority Fund			12,500
Harbor Fund	Component Units			
	Local Development Finance Authority			4,561
	Total			\$ 355,208

September 30, 2005

The composition of interfund transfers at September 30, 2005 is as follows reported in the government-wide financial statements:

	Gove	ernmental	Bu	siness-type	Co	mponent
	<b>Activities</b>		<b>Activities</b>			<u>Units</u>
Business-type Activities paid transfers to Governmental Activities	\$	25,000	\$	(25,000)	\$	-
Business-type Activities paid transfers to Component Units		-		(4,561)		4,561
Governmental Activities paid transfers to Component Units		(9,600)		-	_	9,600
	\$	15,400	\$	(29,561)	\$	14,161

#### **NOTE 8: RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation, and participates in the Municipal Risk Management Authority (the "Authority") risk pool program for claims related to property loss, torts, errors and omissions, and personal injuries, and participates in the Michigan Municipal League risk pool program for claims relating to workers' compensation.

The Authority operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess commercial insurance coverage and to pay member claims in excess of deductible amounts.

### NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

### Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

**Plan Description** – The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

September 30, 2005

**Funding Policy** – The obligation to contribute to and maintain the system for these employees was established by negotiations with the City Council and personnel policy, which does not require employees to contribute to the plan. The City of St. Clair is required to contribute at actuarially determined rates; the current rates ranged from 14.20 to 19.32 percent of eligible payroll based on the December 31, 2002 valuation. Benefits vest after 10 years of service. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC.

Annual Pension Costs – For year ended September 30, 2005, the City's annual pension cost of \$400,158 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of September 30, follows:

	2005			2004	2003		
Annual pension cost Percentage of APC contributed	\$	400,158 100%	\$	377,440 100%	\$	342,809 100%	
Net pension obligation		-		-		-	

### **Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are for the exclusive benefit of the employee or their beneficiary.

It is the opinion of the City that the City has no liability for losses under the plan, but does have a duty of care that would be required of an ordinary prudent investor. Therefore, the deferred compensation assets and liability have been removed from the City's fiduciary fund as is no longer required to be shown in the financial statements for future years.

September 30, 2005

## **Post Employment Benefits**

The City provides health care and life insurance benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, one retiree is eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with a 20 percent contribution required by the participant. These benefits cease when the participant becomes eligible for Medicare insurance. Expenditures for post employment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to \$13,296. The City uses a pay-as-you-go method to pay this.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning October 1, 2009.

### **NOTE 10: FUND EQUITY**

Specific reservations on fund equity include:

<u>Reserved for prepaid expenditures</u> – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

<u>Reserved for debt service</u> – This reserve was created to indicate that portion of fund balance available for the retirement of debt.

<u>Reserved for county recreation projects</u> – This reserve was created to indicate that portion of fund balance available for county approved outdoor recreation development and projects.

<u>Reserved for capital projects</u> – This reserve was created to indicate that portion of fund balance available for capital projects.

<u>Reserved for advance receivable</u> – This reserve was created to indicate that portion of fund balance representing the long-term advance receivable from the St. Clair Regional Industrial Park.

<u>Reserved for nonexpendable cemetery principal</u> – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for cemetery care.

<u>Reserved for library trust</u> – This reserve was created to indicate that portion of fund balance representing the library trust.

September 30, 2005

#### NOTE 11: COMPONENT UNITS REPORTING

A condensed statement of net assets for each of the discretely presented component units is shown below. The statement of activities is presented in the government-wide financial statements.

	Local		
	Development	Downtown	Total
	Finance	Development	Component
	<b>Authority</b>	Authority	<u>Units</u>
Assets:			
Cash and investments	\$ 139,436	\$ 36,589	\$ 176,025
Receivables		49,129	49,129
Total assets	139,436	85,718	225,154
Liabilities:			
Accounts payable and accrued expenses	2,298	-	2,298
Deferred revenue	-	49,129	49,129
Long-term liabilities:			
Due within one year	36,090	-	36,090
Due in more than one year	205,672		205,672
Total liabilities	244,060	49,129	293,189
Net assets:			
Invested in capital assets, net of related debt	(241,762)	-	(241,762)
Unrestricted	137,138	36,589	173,727
Total net assets	\$ (104,624)	\$ 36,589	\$ (68,035)

### **NOTE 12: CONTINGENCIES**

## **Community Development Block Grant**

The City received a Community Development Block Grant (loan) for \$1,000,350 over a number of years, and the full amount of the grant was received as of September 30, 2004. The grant was recorded in the St. Clair Regional Industrial Park Fund as it was received. The principal and interest must be paid back beginning November 1, 2006. The City will receive a \$10,000 credit for each new job created as a result of this project (a portion of these funds must be used for low and moderate income people). This has not been recorded as a liability of the City at this time.

### Michigan Municipal Risk Management Authority

As of September 30, 2005, the City has a contingent receivable from the Michigan Municipal Risk Management Authority of \$46,692 in connection with the insurance pool's retention fund. The City is expected to receive these funds next year. When received, the refunds will be recognized as revenue.

September 30, 2005

## **NOTE 13: DEFICIT FUND BALANCE**

The St. Clair Regional Industrial Park Capital Projects Fund has a deficit fund balance of \$261,863. The deficit results from expenditures incurred for the industrial park project. It is expected that revenue from the sale of lots will provide a positive fund balance in the future.

## **NOTE 14: OPERATING LEASE**

The City of St. Clair entered into a lease agreement to lease 20 golf carts. The annual required payments for the operating lease are as follows:

Year End	ed
September	30,

	\$ 48,364
2009	 16,756
2008	10,536
2007	10,536
2006	\$ 10,536



# SCHEDULE OF PENSION PLAN FUNDING PROGRESS Year Ended September 30, 2005

Actuarial Valuation Date	12/31/2004	12/31/2003	12/31/2002
Actuarial Value of Assets	\$ 8,541,302	\$ 7,891,775	\$ 7,141,433
Actuarial Accrued Liability (AAL)	11,838,018	10,898,932	10,164,870
Unfunded AAL (UAAL)	3,296,716	3,007,157	3,023,437
Funded Ratio	72%	72%	70%
Covered Payroll	2,349,835	2,164,059	2,124,179
UAAL as a percentage of covered payroll	140%	139%	142%

## BUDGETARY COMPARISON SCHEDULE

	Budgeted	Amounts		Variance with		
	Original	Final	Actual	Final Budget		
Revenues:						
Property taxes	\$ 2,428,301	\$ 2,428,301	\$ 2,413,437	\$ (14,864)		
Licenses and permits	97,250	97,250	89,311	(7,939)		
State grants	546,000	546,000	534,379	(11,621)		
Charges for services	146,022	146,022	147,058	1,036		
Fines and forfeitures	15,325	15,325	10,663	(4,662)		
Interest and rents	83,000	83,000	89,245	6,245		
Other revenue	126,500	126,500	672,595	546,095		
Total revenues	3,442,398	3,442,398	3,956,688	514,290		
Expenditures:						
Current	0== 01 5	005115	0.40.05.6	(45.040)		
General government	977,216	996,116	948,876	(47,240)		
Public safety	1,100,129	1,102,129	1,103,558	1,429		
Public works	199,591	220,591	233,994	13,403		
Health and welfare	27,978	26,478	27,058	580		
Community and economic development Recreation and culture	27,232	3,052	2,981	(71)		
Other	195,606	232,106 435,792	253,577 404,309	21,471 (31,483)		
Capital outlay	421,815 168,940	609,440	644,204	34,764		
Debt service:	100,940	009,440	044,204	34,704		
Principal Principal	_	_	430	430		
Interest and charges	_		20	20		
Total expenditures	3,118,507	3,625,704	3,619,007	(6,697)		
Excess (deficiency) of revenues over expenditures	323,891	(183,306)	337,681	520,987		
Other financing sources (uses):						
Transfers in	28,455	28,455	6,600	(21,855)		
Transfers out	(352,346)	(322,699)	(306,979)	15,720		
Total other financing sources (uses)	(323,891)	(294,244)	(300,379)	(6,135)		
Net change in fund balance	-	(477,550)	37,302	514,852		
Fund balance, beginning of year	1,363,278	1,363,278	1,363,278			
Fund balance, end of year	\$ 1,363,278	\$ 885,728	\$ 1,400,580	\$ 514,852		

## SPECIAL REVENUE FUND – MAJOR STREET FUND

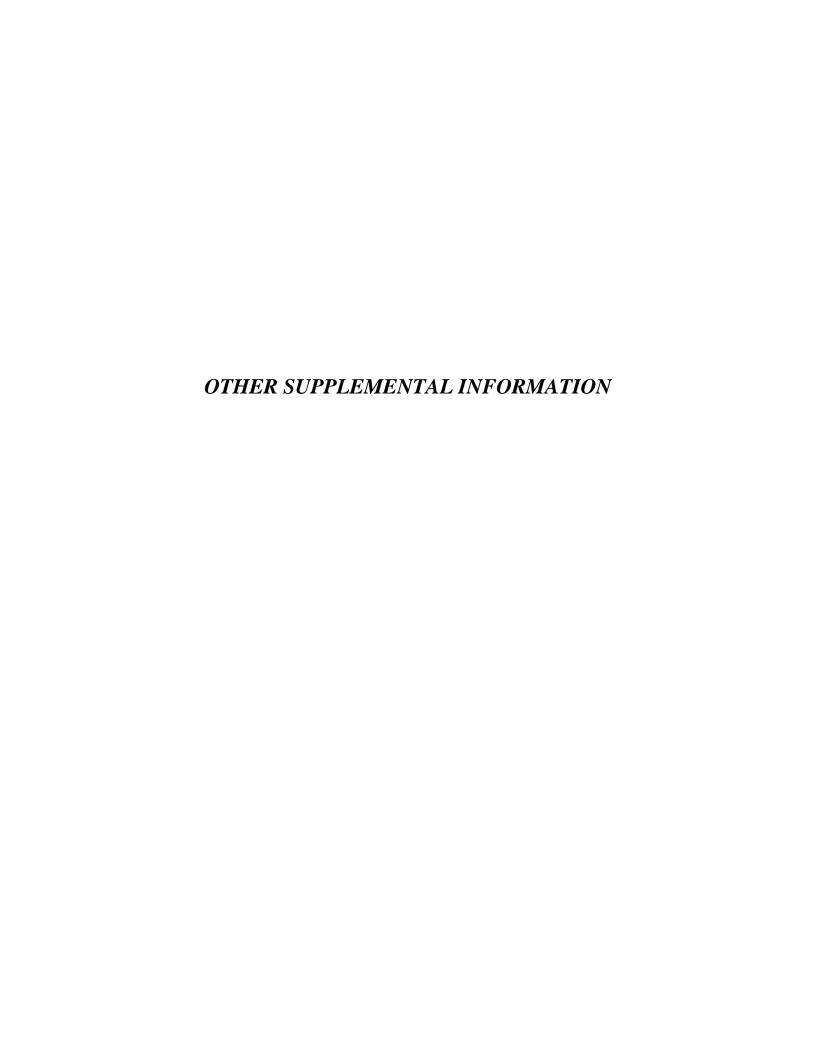
## **BUDGETARY COMPARISON SCHEDULE**

	Budgeted Amounts						Variance with		
	(	Original	Final		_	Actual	Fi	nal Budget	
Revenues:									
Property taxes	\$	140,870	\$	140,870	\$	176,967	\$	36,097	
State grants		457,000		457,000		264,885		(192,115)	
Interest and rents		1,071		1,071	_	29,429	_	28,358	
Total revenues		598,941		598,941		471,281		(127,660)	
Expenditures:									
Current		201225		207.211		112 212		45.000	
Public works		294,336		395,314		413,242		17,928	
Capital outlay		310,000		186,771		186,771		-	
Debt service		22 (04		25 45 4		25.454			
Principal		22,684		25,454		25,454		-	
Interest and charges		7,921		7,922	_	7,922			
Total expenditures	_	634,941		615,461		633,389		17,928	
Excess (deficiency) of									
revenues over expenditures		(36,000)		(16,520)		(162,108)		(145,588)	
Other financing sources (uses):									
Proceeds from debt issued		-		-		3,436,165		3,436,165	
Transfers in		36,000	_	36,000	_	-	_	(36,000)	
Total other financing sources (uses)	_	36,000		36,000		3,436,165		3,400,165	
Net change in fund balance		-		19,480		3,274,057		3,254,577	
Fund balance, beginning of year		166,910		166,910	_	166,910			
Fund balance, end of year	\$	166,910	\$	186,390	\$	3,440,967	\$	3,254,577	

## SPECIAL REVENUE FUND – LOCAL STREET FUND

## **BUDGETARY COMPARISON SCHEDULE**

	 Budgeted Amounts						Variance with		
	 Original Final		Actual		Final Budget				
Revenues:									
Property taxes	\$ 172,000	\$	172,000	\$	172,043	\$	43		
State grants	106,500		106,500		106,438		(62)		
Interest and rents	 2,850		2,850		3,318		468		
Total revenues	 281,350		281,350		281,799		449		
<b>Expenditures:</b>									
Current									
Public works	263,759		281,759		272,832		(8,927)		
Debt service									
Principal	4,547		4,547		4,547		-		
Interest and fees	 920	_	920		920				
Total expenditures	 269,226		287,226		278,299		(8,927)		
Excess (deficiency) of									
revenues over expenditures	 12,124	_	(5,876)		3,500		9,376		
Other financing sources (uses):									
Transfers out	 (12,068)		(12,068)		(12,068)				
Total other financing sources (uses)	 (12,068)		(12,068)		(12,068)				
Net change in fund balance	56		(17,944)		(8,568)		9,376		
Fund balance, beginning of year	 106,825		106,825		106,825				
Fund balance, end of year	\$ 106,881	\$	88,881	\$	98,257	\$	9,376		



## DETAILED SCHEDULE OF REVENUES

Current taxes:         \$ 2,308,875           Property taxes         \$ 10,302           Administration fees         \$ 6,260           Administration fees         \$ 2,413,437           Licenses and permits:         \$ 3,280           Nonbusiness licenses and permits         1,718           CATV franchise fees         \$ 4,313           State grants:         \$ 2,230           Liquor license fees         \$ 4,294           State revenue sharing - sales tax         \$ 58,093           Police grant         \$ 24,398           Police grant         \$ 24,398           Police services and reports         \$ 438           Other         \$ 32,180           Charges to other funds         \$ 90,042           Other funds         \$ 90,042           Times and forfeitures:         \$ 10,613           Court fines         \$ 50           Interest and rents:         \$ 10,663           Interest and rents:         \$ 26,400           Other revenue:         \$ 30,245           Other revenue:         \$ 6,640           Contributions and donations         \$ 58,267           Reimbursements         \$ 18,774           Insurance recoveries         \$ 6,650           Other f	Revenues:	
Penalties and interest on taxes         10,302           Administration fees         96,260           2,413,437         2,413,437           Licenses and permits         3,280           Nonbusiness licenses and permits         1,718           CATV franchise fees         48,4313           State grants:         2,294           Liquor license fees         4,294           State revenue sharing - sales tax         528,093           Police grant         1,992           Charges for services:         24,398           Cemetery fees         24,398           Police services and reports         438           Other         32,180           Charges to other funds         90,042           Charges to other funds         90,042           Court fines         10,613           Ordinance fines         50           Interest and rents:         10,613           Interest and rents:         26,400           Rents         26,400           Other revenue:         39,245           Other revenue:         39,245           Other revenues         7,643           Sale of fixed assets         7,643           Contributions and donations         58,2,467		ф. 2.20 <i>с</i> 975
Administration fees         2,413,437           Licenses and permits         3,280           Nonbusiness licenses and permits         1,718           CATV franchise fees         48,4313           State grants:         21,200           Liquor license fees         4,294           State revenue sharing - sales tax         528,093           Police grant         1,992           Charges for services:         24,398           Police services and reports         438           Police services and reports         438           Charges to other funds         90,042           Charges to other funds         10,613           Ordinance fines         50           Interest and forfeitures:         10,663           Interest and rents:         10,663           Interest services and donations         50,460           Sale of fixed assets         7,643           Contributions and donations         58,245           Reimbursements         18,774           Insurance recoveries         6,631           Other         57,080           672,595           Total revenues         3,956,688           Other financing sources:         1           Transfers from other funds </td <td></td> <td></td>		
Licenses and permits:         3,280           Business licenses and permits         1,718           CATV franchise fees         84,313           State grants:         89,311           Liquor license fees         4,294           State revenue sharing - sales tax         528,093           Police grant         1,992           Charges for services:         24,398           Cemetery fees         24,398           Police services and reports         438           Other         32,180           Charges to other funds         90,042           Charges to other funds         147,058           Fines and forfeitures:           Court fines         10,613           Ordinance fines         50           Interest and rents:         10,663           Interest and rents:         89,245           Other revenue:         89,245           Sale of fixed assets         7,643           Contributions and donations         \$82,467           Reimbursements         18,774           Insurance recoveries         6,631           Other         57,080           Total revenues         3,956,688           Other financing sources:         1		
Licenses and permits:         3,280           Business licenses and permits         1,718           CATV franchise fees         84,313           State grants:           Liquor license fees         4,294           State revenue sharing - sales tax         528,093           Police grant         1,992           Charges for services:         24,398           Cemetery fees         24,398           Police services and reports         438           Other         32,180           Charges to other funds         90,042           Fines and forfeitures:         10,613           Court fines         10,663           Interest         50           Interest and rents:         50           Understand rents:         26,400           Sale of fixed assets         7,643           Contributions and donations         582,467           Reimbursements         18,774           Insurance recoveries         6,631           Other         37,080           672,595           Total revenues         3,956,688           Other financing sources:         7           Transfers from other funds         6,600	Administration ices	
Business licenses and permits         3,280           Nonbusiness licenses and permits         1,718           CATV franchise fees         84,313           State grants:         1           Liquor license fees         4,294           State revenue sharing - sales tax         528,093           Police grant         1,992           Charges for services:         24,398           Cemetery fees         24,398           Police services and reports         438           Other         32,180           Charges to other funds         90,042           Charges to other funds         90,042           Interest and forfeitures:         10,613           Court fines         10,663           Interest and rents:         1           Interest and rents:         26,400           Sale of fixed assets         7,643           Contributions and donations         58,245           Other revenue:         38,245           Other         57,080           Total revenues         3,956,688           Other financing sources:         7           Transfers from other funds         6,600           Other financing sources:         6,600           Transfers from other fun	7	2,413,437
Nonbusiness licenses and permits         1,718           CATV franchise fees         84,313           State grants:         1,992           Liquor license fees         4,294           State revenue sharing - sales tax         528,093           Police grant         1,992           Charges for services:         24,398           Cemetery fees         24,398           Police services and reports         438           Other         32,180           Charges to other funds         90,042           Charges to other funds         10,613           Ordinance fines         50           Ordinance fines         50           Interest and rents:         10,663           Interest end rents:         26,400           Interest and rents:         26,400           Sale of fixed assets         7,643           Contributions and donations         582,467           Reimbursements         18,774           Insurance recoveries         6,631           Other         57,080           Total revenues         3,956,688           Other financing sources:         7           Transfers from other funds         6,600		2.200
CATV franchise fees       84,313         State grants:         Liquor license fees       4,294         State revenue sharing - sales tax       528,093         Police grant       1,992         534,379       534,379         Charges for services:         Cemetery fees       24,398         Police services and reports       438         Other       32,180         Charges to other funds       90,042         Court fines       10,613         Ordinance fines       50         Interest       62,845         Rents       26,400         Sale of fixed assets       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         Total revenues       3,956,688         Other financing sources:         Transfers from other funds       6,600         6,600       6,600		
State grants:       89,311         Liquor license fees       4,294         State revenue sharing - sales tax       528,093         Police grant       1,992         Charges for services:       24,398         Cemetery fees       24,398         Police services and reports       438         Other       32,180         Charges to other funds       90,042         Tines and forfeitures:       10,613         Court fines       10,663         Interest       62,845         Rents       26,400         Other revenue:       389,245         Other revenue:       57,080         Sale of fixed assets       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         Total revenues       3,956,688         Other financing sources:       Transfers from other funds       6,600		
State grants:       4,294         State revenue sharing - sales tax       528,093         Police grant       1,992         Charges for services:       24,398         Cemetery fees       24,398         Police services and reports       438         Other       32,180         Charges to other funds       90,042         Times and forfeitures:       10,613         Court fines       10,613         Ordinance fines       50         Interest and rents:       10,663         Interest       62,845         Rents       26,400         Sale of fixed assets       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         Total revenues       3,956,688         Other financing sources:       Transfers from other funds       6,600         Transfers from other funds       6,600	CAT V Italicilise lees	
Liquor license fees       4,294         State revenue sharing - sales tax       528,093         Police grant       1,992         Charges for services:       24,398         Cemetery fees       24,398         Police services and reports       438         Other       32,180         Charges to other funds       90,042         Fines and forfeitures:       10,613         Court fines       10,663         Interest and rents:       10,663         Interest and rents:       26,400         Rents       26,400         89,245         Other revenue:       3,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         Total revenues       3,956,688         Other financing sources:       7         Transfers from other funds       6,600	State grants:	
State revenue sharing - sales tax       528,093         Police grant       1,992         534,379       534,379         Charges for services:         Cemetery fees       24,398         Police services and reports       438         Other       90,042         Larges to other funds       90,042         Court fines       10,613         Ordinance fines       50         Interest and rents:       10,663         Interest       62,845         Rents       26,400         89,245       89,245         Other revenue:       \$89,245         Sale of fixed assets       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         672,595         Total revenues       3,956,688         Other financing sources:       57,080         Transfers from other funds       6,600         6,600       6,600		4 294
Police grant         1,992           534,379         534,379           Cemetery fees         24,398           Police services and reports         438           Other         32,180           Charges to other funds         90,042           Charges to other funds         10,613           Ordinance fines         50           Interest and rents:         10,663           Interest and rents:         26,400           Interest exist         26,400           Rents         26,400           Sale of fixed assets         7,643           Contributions and donations         582,467           Reimbursements         18,774           Insurance recoveries         6,631           Other         57,080           672,595           Total revenues         3,956,688           Other financing sources:         7,643           Transfers from other funds         6,600		
Charges for services:         24,398           Cemetery fees         24,398           Police services and reports         438           Other         32,180           Charges to other funds         90,042           Interest and forfeitures:         10,613           Court fines         50           Ordinance fines         50           Interest and rents:         10,663           Interest Rents         62,845           Rents         26,400           Sale of fixed assets         7,643           Contributions and donations         582,467           Reimbursements         18,774           Insurance recoveries         6,631           Other         57,080           672,595           Total revenues         3,956,688           Other financing sources:         57,080           Transfers from other funds         6,600		
Charges for services:       24,398         Cemetery fees       24,398         Police services and reports       438         Other       32,180         Charges to other funds       90,042         Interest and forfeitures:       10,613         Court fines       50         Ordinance fines       50         Interest and rents:       10,663         Interest and rents:       26,400         Rents       26,400         89,245       89,245         Other revenue:       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         672,595       Total revenues       3,956,688         Other financing sources:       7         Transfers from other funds       6,600		
Cemetery fees       24,398         Police services and reports       438         Other       32,180         Charges to other funds       90,042         Interest and forfeitures:         Court fines       10,613         Ordinance fines       50         Interest and rents:         Interest and rents:       26,400         Rents       26,400         89,245         Other revenue:         Sale of fixed assets       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         G72,595         Total revenues       3,956,688         Other financing sources:       5,600         Transfers from other funds       6,600	Charges for services:	
Police services and reports         438           Other         32,180           Charges to other funds         90,042           Fines and forfeitures:           Court fines           Ordinance fines         10,613           Ordinance fines         50           Interest and rents:           Interest         62,845           Rents         26,400           89,245           Other revenue:         \$82,457           Sale of fixed assets         7,643           Contributions and donations         582,467           Reimbursements         18,774           Insurance recoveries         6,631           Other         57,080           672,595           Total revenues         3,956,688           Other financing sources:         7           Transfers from other funds         6,600		24,398
Other       32,180         Charges to other funds       90,042         Interes and forfeitures:         Court fines       10,613         Ordinance fines       50         Interest and rents:         Interest and rents:       62,845         Rents       26,400         89,245       89,245         Other revenue:       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         Total revenues       3,956,688         Other financing sources:       7         Transfers from other funds       6,600		
Fines and forfeitures:         147,058           Court fines         10,613           Ordinance fines         50           Interest and rents:         10,663           Interest         62,845           Rents         26,400           89,245         89,245           Other revenue:         7,643           Contributions and donations         582,467           Reimbursements         18,774           Insurance recoveries         6,631           Other         57,080           Total revenues         3,956,688           Other financing sources:         7,643           Transfers from other funds         6,600	<u> •</u>	32,180
Fines and forfeitures:         Court fines       10,613         Ordinance fines       50         Interest and rents:         Interest       62,845         Rents       26,400         89,245         Other revenue:       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         Total revenues       3,956,688         Other financing sources:         Transfers from other funds       6,600         6,600       6,600	Charges to other funds	90,042
Court fines       10,613         Ordinance fines       50         Interest       10,663         Interest       62,845         Rents       26,400         89,245       89,245         Other revenue:       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         fore       57,080         Total revenues       3,956,688         Other financing sources:       Transfers from other funds       6,600         Transfers from other funds       6,600		147,058
Ordinance fines         50           10,663           Interest and rents:         10,663           Interest         62,845           Rents         26,400           89,245         89,245           Other revenue:         7,643           Contributions and donations         582,467           Reimbursements         18,774           Insurance recoveries         6,631           Other         57,080           672,595           Total revenues         3,956,688           Other financing sources:         Transfers from other funds         6,600	Fines and forfeitures:	
Interest and rents:         10,663           Interest         62,845           Rents         26,400           89,245         89,245           Other revenue:         7,643           Contributions and donations         582,467           Reimbursements         18,774           Insurance recoveries         6,631           Other         57,080           672,595           Total revenues         3,956,688           Other financing sources:         Transfers from other funds         6,600           Transfers from other funds         6,600	Court fines	10,613
Interest and rents:         Interest       62,845         Rents       26,400         89,245         Other revenue:         Sale of fixed assets       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         672,595         Total revenues       3,956,688         Other financing sources:         Transfers from other funds       6,600         6,600       6,600	Ordinance fines	50
Interest       62,845         Rents       26,400         89,245         Other revenue:         Sale of fixed assets       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         672,595         Total revenues       3,956,688         Other financing sources:         Transfers from other funds       6,600         6,600       6,600		10,663
Rents       26,400         89,245         Other revenue:       89,245         Sale of fixed assets       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         672,595         Total revenues       3,956,688         Other financing sources:       50,000         Transfers from other funds       6,600	Interest and rents:	
89,245         Other revenue:         Sale of fixed assets       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         Total revenues       3,956,688         Other financing sources:         Transfers from other funds       6,600         6,600       6,600	Interest	
Other revenue:         Sale of fixed assets       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         672,595         Total revenues       3,956,688         Other financing sources:       5,600         Transfers from other funds       6,600	Rents	26,400
Sale of fixed assets       7,643         Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         672,595       7         Total revenues       3,956,688         Other financing sources:         Transfers from other funds       6,600         6,600       6,600		89,245
Contributions and donations       582,467         Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         672,595         Total revenues       3,956,688         Other financing sources:       5,600         Transfers from other funds       6,600	Other revenue:	
Reimbursements       18,774         Insurance recoveries       6,631         Other       57,080         672,595       672,595         Total revenues       3,956,688         Other financing sources:       56,600         Transfers from other funds       6,600	Sale of fixed assets	7,643
Insurance recoveries       6,631         Other       57,080         672,595       Total revenues         Other financing sources:         Transfers from other funds       6,600         6,600       6,600	Contributions and donations	582,467
Other         57,080           672,595           Total revenues         3,956,688           Other financing sources:         57,080           Transfers from other funds         6,600           6,600         6,600		
Total revenues       3,956,688         Other financing sources:       Transfers from other funds       6,600         Transfers from other funds       6,600		
Total revenues  Other financing sources: Transfers from other funds  6,600  6,600	Other	·
Other financing sources: Transfers from other funds 6,600 6,600		672,595
Transfers from other funds 6,600 6,600	Total revenues	3,956,688
Transfers from other funds 6,600 6,600	Other financing sources:	
6,600		6,600
Total revenues and other financing sources \$ 3,963,288		
	Total revenues and other financing sources	\$ 3,963,288

Expenditures: General Government:	
Council:	
Personnel	\$ 4,400
Fringe benefits	\$ 4,400 199
Dues and memberships	26,410
Education and training	141
Other	250
	31,400
Superintendent:	
Personnel	130,424
Fringe benefits	23,304
Travel/Mileage	2,072
Dues and memberships	1,222
Education and training	3,372
Other	44
	160,438
Accounting:	
Personnel	56,476
Fringe benefits	4,303
Supplies	1,675
Travel/Mileage	2,360
Dues and memberships	150
Education and training	989
Other	220
	66,173
Clerk:	
Personnel	112,034
Fringe benefits	8,487
Mileage	129
Dues and memberships	280
Education and training	519
	121,449
Audit:	
Contracted services	6,090
	6,090
Board of Review:	
Personnel	2,100
Fringe benefits	161
Printing and publications	329
	2,590

## DETAILED SCHEDULE OF EXPENDITURES

Expenditures (continued):	
General Government (continued):	
Treasurer:	
Personnel	\$ 53,119
Fringe benefits	4,057
Supplies	4,866
Contracted services	450
Travel/Mileage	762
Dues and memberships	150
Education and training	3,463
	66,867
Assessor:	
Personnel	39,252
Fringe benefits	2,995
Supplies	278
Contracted services	3,342
Travel/Mileage	886
Dues and memberships	412
Education and training	1,081
Printing and publications	500
Other	$\frac{16}{48,762}$
	46,702
Elections:	
Personnel	1,028
Fringe benefits	79
Supplies	3,387
Contracted services	5,840
Printing and publications	622
	10,956
Buildings and Grounds:	
Utilities	27,927
Repairs and maintenance	2,839
	30,766
Attorney:	
Contracted services	41,481
	41,481
	· · · · · · · · · · · · · · · · · · ·

Expenditures (continued):	
General Government (continued):	
Cemetery:	
Personnel	\$ 44,990
Fringe benefits	3,182
Supplies	706
Contracted services	16,776
Utilities	1,237
Repairs and maintenance	4,832
Equipment rental	10,252
	81,975
Community Activities:	
Personnel	8,889
Fringe benefits	3,074
Supplies	641
Contracted services	34,136
Utilities	7,002
Repairs and maintenance	12,439
Other	21,801
	87,982
General Administration:	
Personnel	33,570
Fringe benefits	2,508
Supplies	33,732
Contracted services	62,553
Telephone	26,755
Printing and publications	6,440
Other	26,390
	191,948
Total general government	948,876
Public Safety:	
Police:	
Personnel	697,104
Fringe benefits	66,825
Supplies	30,518
Contracted services	35,270
Dues and memberships	710
Education and training	5,796
Printing and publications	286
Utilities	456
Repairs and maintenance	11,491
Other	3,203
	851,659

Expenditures (continued):	
Public Safety (continued):	
Fire:	
Contracted services	\$ 242,065
	242,065
Reserve Police:	
Supplies	8,130
Contracted services	493
Utilities	1,211
	9,834
Total public safety	1,103,558
Public Works:	
Department of Public Works:	
Personnel	74,125
Fringe benefits	10,116
Supplies	37,514
Contracted services	6,491
Dues and memberships	244
Education and training	290
Utilities	1,156
Repairs and maintenance	4,433
Equipment rental	2,661
	137,030
Street Lighting:	
Utilities	96,964
	96,964
Total muhlio montro	222.004
Total public works	233,994
77 . Id 1 W. IC	
Health and Welfare:	
Senior Citizens:	22.221
Personnel	22,321
Fringe benefits	1,724
Contracted services	991
Repairs and maintenance Other	1,470 552
Olici	552
	27,058
Total health and welfare	27,058

Expenditures (continued):	
Community and Economic Development:	
Planning:	
Personnel	\$ 1,650
Fringe benefits	135
Contracted services	260
Education and training	297
Printing and publications	639
	2,981
Total community and economic development	2,981
Recreation and Culture:	
Parks and Recreation:	
Personnel	92,273
Fringe benefits	7,934
Supplies	2,633
Contracted services	14,212
Utilities	6,207
Repairs and maintenance	16,625
Equipment rental	26,619
Other	20,758 187,261
Library:	
Personnel	911
Fringe benefits	69
Supplies	2,975
Contracted services	9,269
Utilities	12,058
Repairs and maintenance	6,064
Equipment rental	227
	31,573
Historical Commission:	
Other	34,743
	34,743
Total recreation and culture	253,577
Other:	
Insurance	78,360
Employee benefits	325,949
	404,309
Total other	40.4.200
Total other	404,309

Expenditures (continued):	
Capital Outlay: General government	\$ 9,069
Public safety	39,868
Recreation and culture	595,267
	644,204
Total capital outlay	644,204
. ,	
Debt Service:	
Principal	430
Interest and fees	20
	450
Total debt service	450
m . I	2 (10 007
Total expenditures	3,619,007
Oth on Financina Uses.	
Other Financing Uses:	206.070
Transfers to other funds	306,979
	306,979
Total expenditures and other financing uses	\$ 3,925,986

## **COMBINING BALANCE SHEET**

September 30, 2005

	Special Revenue Funds							
		Trunkline Maintenance Fund			1994 Special Assessment Fund		Building Department Fund	
Assets:	ф	(10.656)	Ф	102.270	Ф	5.500	Φ	70.605
Cash and investments	\$	(10,656)	\$	182,270	\$	5,589	\$	70,695
Taxes receivable		-		-		-		-
Accounts receivable		-		-		-		4,336
Special assessments receivable		-		-		-		-
Notes receivable		-		-		-		-
Interest receivable Due from other governmental units		62,526		<u> </u>		<u> </u>		<u>-</u>
Total assets	\$	51,870	\$	182,270	\$	5,589	\$	75,031
Liabilities and Fund Balances: Liabilities: Accounts payable								
and accrued expenses	\$	10,804	\$	8,695	\$	15	\$	10,363
Due to other funds	Ψ	32,973	Ψ	-	Ψ	-	Ψ	-
Deposits payable		-		_		1,226		46,828
Advance payable to other funds		_		_		_		-
Deferred revenue						230		
Total liabilities		43,777		8,695		1,471		57,191
Fund balances: Reserved for:								
Debt service		-		-		-		-
County recreation projects		-		117,691		-		-
Nonexpendable cemetery principal		-		-		-		-
Expendable library trust		-		-		-		-
Unreserved:								
Special revenue funds		8,093		55,884		4,118		17,839
Capital projects funds								
Total fund balances		8,093		173,575		4,118		17,839
Total liabilities and fund balances	\$	51,870	\$	182,270	\$	5,589	\$	75,030

Special Revenue Funds Debt Service Funds													
Urban Development Action Grant Fund		Cable Programming Fund		ming Authority		1994 Road Construction Bond Fund		1997 Road Construction Bond Fund		2004 Building Authority Bond Fund		Subtotal Nonmajor Governmental Funds	
\$	55,943	\$	8,048	\$	1,032	\$	46,245	\$	70,539	\$	438	\$	430,143
	-		-		-		63,828		-		-		63,828
	560		6,000		-		-		737		-		11,633 26,427
	1,500		-		-		-		26,427		-		1,500
	-		_		-				-		-		1,500
													62,526
\$	58,003	\$	14,048	\$	1,032	\$	110,073	\$	97,703	\$	438	\$	596,057
\$	28	\$	478	\$	-	\$	-	\$	-	\$	-	\$	30,383 32,973
	-		_		-				-		-		48,054
	-		_		_		_		-		_		-
			-		-		99,187		26,427				125,844
	28		478				99,187		26,427				237,254
	_		_		1,032		10,887		71,276		438		83,633
	-		_		-		-		-		-		117,691
	-		-		-		-		-		-		-
	-		-		-		-		-		-		-
	57,975		13,570		-		-		-		-		157,479
	57,975		13,570		1,032		10,887		71,276		438		358,803
\$	58,003	\$	14,048	\$	1,032	\$	110,074	\$	97,703	\$	438	\$	596,057

continued

## COMBINING BALANCE SHEET, CONTINUED

September 30, 2005

	Subtotal Nonmajor Governmental Funds		Capital Projects Fund			Permanent Funds				
			St. Clair Regional Industrial Park Fund		Cemetery Perpetual Care Fund		Library Fund		Total Nonmajor Governmental Funds	
Assets:		100 110		204.240		<b></b>				000.450
Cash and investments	\$	430,143	\$	201,360	\$	217,906	\$	44,044	\$	893,453
Taxes receivable		63,828		-		-		-		63,828
Accounts receivable		11,633		-		-		-		11,633
Special assessments receivable		26,427		-		-		-		26,427
Notes receivable		1,500		-				-		1,500
Interest receivable		-		-		2,474		-		2,474
Due from other governmental units		62,526	_		_		_			62,526
Total assets	\$	596,057	\$	201,360	\$	220,380	\$	44,044	\$	1,061,841
Liabilities and Fund Balances: Liabilities:										
Accounts payable	Ф	20.202	ф		ф	(75)	ф		Ф	20.200
and accrued expenses	\$	30,383	\$	-	\$	(75)	Þ	-	\$	30,308
Due to other funds		32,973		-		6,600		-		39,573
Deposits payable		48,054		585		-		-		48,639
Advance payable to other funds		105.044		462,638		-		-		462,638
Deferred revenue		125,844	_	-	_		_		-	125,844
Total liabilities		237,254		463,223		6,525				707,002
Fund balances: Reserved for:										
Debt service		83,633		-		-		-		83,633
Nonexpendable cemetery principal		-		-		213,855		-		213,855
Expendable library trust		-		-		-		44,044		44,044
Unreserved:										
Special revenue funds		275,170		-		-		-		275,170
Capital projects funds				(261,863)			_			(261,863)
Total fund balances		358,803		(261,863)		213,855		44,044		354,839
Total liabilities and fund balances	\$	596,057	\$	201,360	\$	220,380	\$	44,044	\$	1,061,841

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	Special Revenue Funds							
	Main	inkline itenance Fund	Re	ecreation Fund	1994 Special Assessment Fund		Building Department Fund	
Revenues:	Ф		Ф		Ф	40	Ф	
Property taxes	\$	-	\$	-	\$	42	\$	- 01 601
Licenses and permits		-		-		-		81,681
Federal grants		- (1.267		-		-		-
State grants		61,267		-		-		-
Contributions from other units		-		22,001		-		- 002
Charges for services		- 254		160,166		-		6,983
Interest and rents		254		5,474		118		1,462
Other revenue			_	28,188				281
Total revenues		61,521		215,829		160	-	90,407
Expenditures: Current								
Public safety		_				_		134,081
Public works		56,705		_	1	588		134,001
Community and economic development		50,705			1,	-		
Recreation and culture		_		288,009		_		_
Capital outlay		_		6,680		_		_
Debt service				0,000				
Principal		_				_		
Interest and fees								
interest and rees					-			
Total expenditures		56,705		294,689	1,	588		134,081
Excess (deficiency) of								
revenues over expenditures		4,816		(78,860)	(1,	428)		(43,674)
Other financing sources (uses):								
Transfers in		-		92,280		-		40,370
Transfers out								
Total other financing sources (uses)				92,280				40,370
Net change in fund balance		4,816		13,420	(1,	428)		(3,304)
Fund balances, beginning of year		3,277		160,155	5,	546		21,143
Fund balances, end of year	\$	8,093	\$	173,575	\$ 4,	118	\$	17,839

Special Revenue Funds								
Urban Development Action Grant Fund		Cable Programming Fund	1999 Building Authority Bond Fund	1994 Road Construction Bond Fund	1997 Road Construction Bond Fund	2004 Building Authority Bond Fund	Subtotal Nonmajor Governmental Funds	
\$	-	\$ -	\$ -	\$ 101,855	\$ -	\$ -	\$ 101,897	
	-	54,136	-	-	-	-	135,817	
	-	-	-	-	-	-	-	
	-	-	-	-	-	-	61,267	
	-	2,772	-	-	-	-	22,001	
	1,492	2,772	(170)	71	3,470	127	169,921 12,593	
	5,588	-	-	-	14,497	-	48,554	
	7,080	57,203	(170)	101,926	17,967	127	552,050	
	-	-	-	_	-	-	134,081	
	-	-	-	-	-	-	58,293	
	28	-	-	_	-	-	28	
	-	68,794	-	-	-	-	356,803	
	=	20,882	-	-	-	-	27,562	
	-	-	55,000	93,827	35,000	55,459	239,286	
			33,839	5,233	6,214	10,939	56,225	
	28	89,676	88,839	99,060	41,214	66,398	872,278	
	7,052	(32,473)	(89,009)	2,866	(23,247)	(66,271)	(320,228)	
	-	34,180	88,840	-	12,068	66,709	334,447	
	-	34,180	88,840	-	12,068	66,709	334,447	
	7,052	1,707	(169)	2,866	(11,179)	438	14,219	
	50,923	11,863	1,201	8,021	82,455		344,584	
\$	57,975	<u>\$ 13,570</u>	\$ 1,032	\$ 10,887	\$ 71,276	\$ 438	\$ 358,803	

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, CONTINUED

			Capital Projects Fund		Permanent Funds					
	Subtotal Nonmajor Governmental Funds		St. Clair Regional Industrial Park Fund		Cemetery Perpetual Care Fund		Library Fund		Total Nonmajor Governmental Funds	
Revenues:										
Property taxes	\$	101,897	\$	-	\$	-	\$	-	\$	101,897
Licenses and permits		135,817		-		-		-		135,817
Federal grants		-		3,870		-		-		3,870
State grants		61,267		-		-		-		61,267
Contributions from other units		22,001		-		-		-		22,001
Charges for services		169,921		11 200		-		-		169,921
Interest and rents		12,593		11,389		6,910		802		31,694
Other revenue		48,554				1,275		6,581		56,410
Total revenues	_	552,050		15,259		8,185		7,383		582,877
Expenditures: Current										
Public safety		134,081		-		-		-		134,081
Public works		58,293		-		-		-		58,293
Community and economic development		28		11,384		-		-		11,412
Recreation and culture		356,803		-		-		5,762		362,565
Capital outlay		27,562		-		-		-		27,562
Debt service										
Principal		239,286		-		-		-		239,286
Interest and fees		56,225								56,225
Total expenditures		872,278		11,384			:	5,762		889,424
Excess (deficiency) of										
revenues over expenditures		(320,228)		3,875		8,185		1,621		(306,547)
Other financing sources (uses):										
Transfers in		334,447		-		-		-		334,447
Transfers out						(6,600)				(6,600)
Total other financing sources (uses)		334,447	_			(6,600)	-			327,847
Net change in fund balance		14,219		3,875		1,585		1,621		21,300
Fund balances, beginning of year		344,584		(265,738)	2	12,270	4	2,423		333,539
Fund balances, end of year	\$	358,803	\$	(261,863)	\$ 2	13,855	\$ 4	4,044	\$	354,839

## PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF NET ASSETS

September 30, 2005

	Equipment Pool Fund			Special ssessment evolving Fund	Total		
Assets:							
Current assets:							
Cash and investments	\$	575,927	\$	314,175	\$	890,102	
Accounts receivable		-		1,301		1,301	
Special assessments receivable			_	20,195		20,195	
Total current assets		575,927		335,671	_	911,598	
Noncurrent assets:							
Capital assets:							
Depreciable capital assets, net		397,175	_		_	397,175	
Total noncurrent assets	_	397,175			_	397,175	
Total assets		973,102		335,671		1,308,773	
Liabilities: Current liabilities:							
Accounts payable and accrued expenses		3,532		_		3,532	
Total current liabilities		3,532				3,532	
Noncurrent liabilities:							
Compensated absences payable		14,123				14,123	
Total noncurrent liabilities	_	14,123			_	14,123	
Total liabilities		17,655	_			17,655	
Net assets:							
Invested in capital assets, net of related debt		397,175		-		397,175	
Unrestricted		558,272	_	335,671		893,943	
Total net assets	\$	955,447	\$	335,671	\$	1,291,118	

## PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	E	quipment Pool Fund	As	Special ssessment evolving Fund	Total	
Operating revenues:						
Equipment rental	\$	232,836	\$		\$	232,836
Total operating revenues		232,836				232,836
Operating expenses:						
Personnel		47,820		-		47,820
Fringe benefits		22,369		-		22,369
Supplies		2,839		-		2,839
Contracted services		174		348		522
Printing and publishing		305		-		305
Utilities		12,568		-		12,568
Repairs and maintenance		37,300		-		37,300
Depreciation		99,372		-	_	99,372
Total operating expenses		222,747	_	348		223,095
Operating income (loss)		10,089		(348)	_	9,741
Non-operating revenues (expenses):						
Interest income		10,254		12,193	_	22,447
Total non-operating revenues (expenses)	_	10,254		12,193		22,447
Net income (loss)		20,343		11,845		32,188
Net assets, beginning of year		935,104	_	323,826		1,258,930
Net assets, end of year	\$	955,447	\$	335,671	\$	1,291,118

## PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF CASH FLOWS

	Equipment Motor Pool Fund	Special Assessment Revolving Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ -	\$ 4,225	\$ 4,225
Cash received for interfund services	232,836	-	232,836
Cash payments to employees	(47,553)	-	(47,553)
Cash payments to suppliers for goods and services	(73,533)	(348)	(73,881)
Net cash provided by operating activities	111,750	3,877	115,627
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(21,565)		(21,565)
Net cash used by capital and related financing activities	(21,565)		(21,565)
Cash flows from investing activities			
Interest received	10,254	12,193	22,447
Net cash provided by investing activities	10,254	12,193	22,447
Net increase in cash and cash equivalents	100,439	16,070	116,509
Cash and cash equivalents, beginning of year	475,488	298,105	773,593
Cash and cash equivalents, end of year	\$ 575,927	\$ 314,175	\$ 890,102
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss) Adjustments:	\$ 10,089	\$ (348)	\$ 9,741
Depreciation	99,372	-	99,372
Change in assets and liabilities: Accounts receivable		(1.201)	(1.201)
	-	(1,301)	(1,301)
Special assessments receivable	-	4,866	4,866
Accrued interest receivable	2.002	660	660
Accounts payable and accrued expenses	2,022	-	2,022
Compensated absences payable	267		267
Net cash provided by operating activities	\$ 111,750	\$ 3,877	\$ 115,627

# FIDUCIARY FUND – AGENCY FUND

# COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

September 30, 2005

Tax Collection Fund	(	October 1, <u>2004</u>	4	Additions	<u>r</u>	<u>Deductions</u>	Sej	ptember 30, 2005
Assets Cash and investments Accounts receivable	\$	2,739,090 413	\$	9,959,521 18,541	\$	9,388,203 18,500	\$	3,310,408 454
Total assets	\$	2,739,503	\$	9,978,062	\$	9,406,703	\$	3,310,862
Liabilities Undistributed tax collections Due to other governmental units	\$	1,789,117 950,386	\$	5,547,552 4,430,510	\$	5,296,110 4,110,593	\$	2,040,559 1,270,303
Total liabilities	\$	2,739,503	\$	9,978,062	\$	9,406,703	\$	3,310,862

# SCHEDULE OF INDEBTEDNESS

September 30, 2005

#### 1994 GENERAL OBLIGATION UNLIMITED TAX REFUNDING BONDS

Issue Dated Ma 73.57% Busin	\$ 2,260,000	
Business-type A	activities - 73.57% of \$2,260,000	\$ 1,662,682
Less:	Principal paid in prior years Principal paid in current year	 (1,132,978) (261,174)
Balance payable	\$ 268,530	

Balance payable as follows:

Fiscal		Princ	ipal due	Inte	rest due	Inte	rest due	
Year Ended	<u>Rate</u>	Nove	ember 1	Nov	ember 1	<u> 1</u>	<u> 1ay 1</u>	<u>Total</u>
2006	5.00%	\$	268,530	\$	7,384	\$		\$ 275,914

## 1989 REFUNDING WATER REVENUE BONDS

Issue Dated M	ssue Dated March 23, 1989 in the amount of					
Less:	Principal paid in prior years Principal paid in current year		(295,000) (35,000)			
Balance payab	\$	230,000				

Fiscal <u>Year Ended</u>	<u>Rate</u>	ncipal due vember 1	 erest due vember 1	In	terest due <u>May 1</u>	<u>Total</u>
2006	7.50%	\$ 40,000	\$ 8,625	\$	7,125	\$ 55,750
2007	7.50%	40,000	7,125		5,625	52,750
2008	7.50%	45,000	5,625		3,938	54,563
2009	7.50%	50,000	3,938		2,062	56,000
2010	7.50%	 55,000	 2,062		_	 57,062
		\$ 230,000	\$ 27,375	\$	18,750	\$ 276,125

# SCHEDULE OF INDEBTEDNESS

September 30, 2005

#### 1998 SEWER SYSTEM REVENUE REFUNDING BONDS

Issue Dated	1998 in the amount of	\$ 995,000
Less:	Principal paid in prior years Principal paid in current year	(305,000) (80,000)
Balance paya	\$ 610,000	

# Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	 erest due vember 1	In	terest due <u>May 1</u>	Pri	incipal due <u>May 1</u>	<u>Total</u>
2006	4.30%	\$ 14,003	\$	14,002	\$	80,000	\$ 108,005
2007	4.45%	12,263		12,262		100,000	124,525
2008	4.50%	10,038		10,037		100,000	120,075
2009	4.60%	7,763		7,762		100,000	115,525
2010	4.65%	5,463		5,462		115,000	125,925
2011	4.75%	 2,760		2,760		115,000	 120,520
		\$ 52,290	\$	52,285	\$	610,000	\$ 714,575

## 2001 SPECIAL ASSESSMENT LIMITED TAX BONDS

Issue Dated A	ssue Dated August 1, 2001 in the amount of					
Less:	Principal paid in prior years Principal paid in current year		(35,000) (15,000)			
Balance paya	\$	100,000				

Fiscal <u>Year Ended</u>	<u>Rate</u>	 erest due tober 1	 erest due April <u>1</u>	ıcipal due <u>April 1</u>	<u>Total</u>
2006	4.75%	\$ 2,425	\$ 2,425	\$ 15,000	\$ 19,850
2007	4.75%	2,069	2,069	15,000	19,138
2008	4.75%	1,713	1,712	15,000	18,425
2009	4.75%	1,356	1,356	15,000	17,712
2010	5.00%	1,000	1,000	20,000	22,000
2011	5.00%	 500	 500	 20,000	 21,000
		\$ 9,063	\$ 9,062	\$ 100,000	\$ 118,125

# SCHEDULE OF INDEBTEDNESS

September 30, 2005

# STATE REVOLVING FUND BONDS, SERIES 2002

Issue Dated October 1, 2002 in the amount of \$4,948,287

Less: Principal paid in prior years (195,000)

Principal paid in current year (205,000)

Balance payable at September 30, 2005 \$4,548,287

Fiscal <u>Year Ended</u>	<u>Rate</u>	Principal due <u>October 1</u>	Interest due <u>October 1</u>	Interest due <u>April 1</u>	<u>Total</u>
2006	2.50%	\$ -	\$ -	\$ 58,312	\$ 58,312
2007	2.50%	210,000	58,313	55,687	324,000
2008	2.50%	215,000	55,688	53,000	323,688
2009	2.50%	220,000	53,000	50,250	323,250
2010	2.50%	225,000	50,250	47,437	322,687
2011	2.50%	230,000	47,438	44,562	322,000
2012	2.50%	235,000	44,563	41,625	321,188
2013	2.50%	240,000	41,625	38,625	320,250
2014	2.50%	245,000	38,625	35,562	319,187
2015	2.50%	255,000	35,563	32,375	322,938
2016	2.50%	260,000	32,375	29,125	321,500
2017	2.50%	265,000	29,125	25,812	319,937
2018	2.50%	275,000	25,813	22,375	323,188
2019	2.50%	280,000	22,375	18,875	321,250
2020	2.50%	285,000	18,875	15,312	319,187
2021	2.50%	295,000	15,313	11,625	321,938
2022	2.50%	300,000	11,625	7,875	319,500
2023	2.50%	310,000	7,875	4,000	321,875
2023	2.50%	203,287	4,000		207,287
		\$ 4,548,287	\$ 592,441	\$ 592,434	\$ 5,733,162

# SCHEDULE OF INDEBTEDNESS

September 30, 2005

## GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, SERIES 2002A

Issue Dated October 1, 2002 in the amount of \$\\$410,000

Less: Principal paid in prior years

Principal paid in current year (15,000)

Balance payable at September 30, 2005 \$ 395,000

Fiscal <u>Year Ended</u>	<u>Rate</u>	Principal due <u>October 1</u>	Interest due <u>October 1</u>	Interest due <u>April 1</u>	<u>Total</u>
2006	3.00%	\$ -	\$ -	\$ 7,835	\$ 7,835
2007	3.00%	15,000	7,835	7,610	30,445
2008	3.25%	15,000	7,610	7,366	29,976
2009	3.25%	15,000	7,366	7,123	29,489
2010	3.50%	15,000	7,123	6,860	28,983
2011	3.50%	20,000	6,860	6,510	33,370
2012	3.55%	20,000	6,510	6,155	32,665
2013	3.60%	25,000	6,155	5,705	36,860
2014	3.65%	25,000	5,705	5,249	35,954
2015	3.80%	25,000	5,249	4,774	35,023
2016	3.90%	25,000	4,774	4,286	34,060
2017	4.00%	25,000	4,286	3,786	33,072
2018	4.15%	25,000	3,786	3,268	32,054
2019	4.30%	25,000	3,268	2,730	30,998
2020	4.40%	30,000	2,730	2,070	34,800
2021	4.50%	30,000	2,070	1,395	33,465
2022	4.60%	30,000	1,395	705	32,100
2023	4.60%	30,000	705		30,705
		\$ 395,000	\$ 83,427	\$ 83,427	\$ 561,854

#### SCHEDULE OF INDEBTEDNESS

September 30, 2005

## 2004 GENERAL OBLIGATION REFUNDING BONDS (UNLIMITED TAX)

Issue Dated February 10, 2004 in the amount of \$830,000

Less: Principal paid in prior years

(55,000)

Balance payable at September 30, 2005 \$ 775,000

Principal paid in current year

Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	ncipal due vember <u>1</u>	 erest due vember 1	Ir	nterest due <u>May 1</u>	<u>Total</u>
2006	2.00%	\$ 80,000	\$ 10,036	\$	9,236	\$ 99,272
2007	2.00%	80,000	9,236		8,436	97,672
2008	2.00%	75,000	8,436		7,686	91,122
2009	2.125%	75,000	7,686		6,889	89,575
2010	2.50%	100,000	6,889		5,639	112,528
2011	2.75%	95,000	5,639		4,332	104,971
2012	3.00%	95,000	4,332		2,907	102,239
2013	3.25%	90,000	2,907		1,445	94,352
2014	3.40%	 85,000	 1,445		-	 86,445
		\$ 775,000	\$ 56,606	\$	46,570	\$ 878,176

#### 2004 BUILDING AUTHORITY REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATIO)

Issue Dated February 10, 2004 in the amount of \$1,160,000 35.78% Governmental; 40.16% Business-type; 24.06% Component Unit

Business-type Activities - 40.16% of \$1,160,000 \$ 465,954

Less: Principal paid in prior years

Principal paid in current year (62,257)

Balance payable at September 30, 2005 \$ 403,697

Fiscal <u>Year Ended</u>	<u>Rate</u>	ncipal due <u>vember 1</u>			Interest due <u>May 1</u>		<u>Total</u>		
2006	2.00%	\$ 60,240	\$	4,602	\$	4,000	\$	68,842	
2007	2.00%	60,240		4,000		3,397		67,637	
2008	2.00%	62,248		3,397		2,775		68,420	
2009	2.125%	70,280		2,775		2,028		75,083	
2010	2.50%	72,288		2,028		1,124		75,440	
2011	2.75%	40,160		1,124		572		41,856	
2012	3.00%	 38,241		572				38,813	
		\$ 403,697	\$	18,498	\$	13,896	\$	436,091	

# SCHEDULE OF INDEBTEDNESS

September 30, 2005

# 1992 MICHIGAN TRANSPORTATION FUND (LTGO)

Balance paya	ble at September 30, 2005	\$ 65,000
Less:	Principal paid in prior years Principal paid in current year	(260,000) (30,000)
Issue Dated A	\$ 355,000	

Balance payable as follows:

Fiscal		Interest due		Interest due			cipal due			
<u>Year Ended</u>	<u>Rate</u>	Nov	ember 1	<u> </u>	<u> May 1</u>	<u>1</u>	<u>May 1</u>		<u>Total</u>	
2006	6.00%	\$	1,950	\$	1,950	\$	30,000	\$	33,900	
2007	6.00%		1,050		1,050		35,000		37,100	
		\$	3,000	\$	3,000	\$	65,000	\$	71,000	

#### 1994 GENERAL OBLIGATION UNLIMITED TAX REFUNDING BONDS

Issue Dated May 73.57% Busine	\$ 2,260,000	
Governmental Ac	ctivities - 26.43% of \$2,260,000	\$ 597,318
Less:	Principal paid in prior years Principal paid in current year	 (407,022) (93,827)
Balance payable	at September 30, 2005	\$ 96,469

Fiscal <u>Year Ended</u>	<u>Rate</u>	cipal due vember 1	Interest due <u>November 1</u>		Interest due <u>May 1</u>		<u>Total</u>	
2006	5.00%	\$ 96,469	\$	2,653	\$	-	\$	99,122

# SCHEDULE OF INDEBTEDNESS

September 30, 2005

#### 1997 GENERAL OBLIGATION LIMITED TAX BONDS

Issue Dated	\$ 100,000	
Less:	Principal paid in prior years Principal paid in current year	 (60,000) (10,000)
Balance pay	vable at September 30, 2005	\$ 30,000

Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	ecipal due vember <u>1</u>	 rest due <u>ember 1</u>	In	terest due <u>May 1</u>	<u>Total</u>
2006	4.90%	\$ 10,000	\$ 740	\$	497	\$ 11,237
2007	5.00%	10,000	498		250	10,748
2008	5.10%	 10,000	 250			 10,250
		\$ 30,000	\$ 1,488	\$	747	\$ 32,235

## 1999 BUILDING AUTHORITY BONDS

Issue Dated	June 1, 1999 in the amount of	\$ 995,000
Less:	Principal paid in prior years Principal paid in current year	 (235,000) (55,000)
Balance pay	yable at September 30, 2005	\$ 705,000

Fiscal <u>Year Ended</u>	<u>Rate</u>	Principal due <u>November 1</u>		Interest due <u>November 1</u>		Interest due <u>May 1</u>		<u>Total</u>
2006	4.60%	\$	55,000	\$	16,287	\$	15,021	\$ 86,308
2007	4.65%		60,000		15,022		13,626	88,648
2008	4.65%		60,000		13,627		12,231	85,858
2009	4.55%		65,000		12,232		10,753	87,985
2010	4.625%		70,000		10,754		9,134	89,888
2011	4.625%		70,000		9,135		7,515	86,650
2012	4.625%		75,000		7,516		5,781	88,297
2013	4.625%		80,000		5,782		3,931	89,713
2014	4.625%		85,000		3,931		1,966	90,897
2015	4.625%		85,000		1,966			 86,966
		\$	705,000	\$	96,252	\$	79,958	\$ 881,210

#### SCHEDULE OF INDEBTEDNESS

September 30, 2005

#### 2004 BUILDING AUTHORITY REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATIO)

Issue Dated February 10, 2004 in the amount of \$1,160,000 35.78% Governmental; 40.16% Business-type; 24.06% Component Unit

Governmental Activities - 35.78% of \$1,160,000 \$ 415,000

Less: Principal paid in prior years

Principal paid in current year (55,459)

Balance payable at September 30, 2005 \$ 359,541

Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	Principal due <u>November 1</u>		Interest due <u>November 1</u>		Interest due <u>May 1</u>		<u>Total</u>
2006	2.00%	\$	53,670	\$	4,100	\$	3,563	\$ 61,333
2007	2.00%		53,670		3,563		3,027	60,260
2008	2.00%		55,459		3,027		2,472	60,958
2009	2.125%		62,615		2,472		1,807	66,894
2010	2.50%		64,404		1,807		1,002	67,213
2011	2.75%		35,780		1,002		510	37,292
2012	3.00%		33,943		510			 34,453
		\$	359,541	\$	16,481	\$	12,381	\$ 388,403

#### 1997 SPECIAL ASSESSMENT BONDS

Issue Dated September 1, 1997 in the amount of \$ 220,000

Less: Principal paid in prior years (130,000)
Principal paid in current year (25,000)

Balance payable at September 30, 2005 \$ 65,000

Fiscal <u>Year Ended</u>	<u>Rate</u>	ecipal due vember 1	 rest due ember 1	 erest due <u>May 1</u>		<u>Total</u>
2006	4.85%	\$ 25,000	\$ 1,601	\$ 995	\$	27,596
2007	4.95%	20,000	995	500		21,495
2008	5.00%	 20,000	 500	 	_	20,500
		\$ 65,000	\$ 3,096	\$ 1,495	\$	69,591

# SCHEDULE OF INDEBTEDNESS

September 30, 2005

## GENERAL OBLIGATION UNLIMITED TAX BONDS, SERIES 2005

Issue Dated June 6, 2005 in the amount of \$ 3,455,000

Less: Principal paid in prior years - Principal paid in current year - - 

Balance payable at September 30, 2005 \$ 3,455,000

Fiscal <u>Year Ended</u>	<u>Rate</u>	incipal due ovember 1	Interest due <u>November 1</u>		Interest due <u>May 1</u>		<u>Total</u>
2006	0.00%	\$ -	\$	-	\$	-	\$ -
2007	0.00%	-		158,232		58,245	216,477
2008	3.00%	225,000		58,245		54,870	338,115
2009	3.00%	250,000		54,870		51,120	355,990
2010	3.00%	275,000		51,120		46,995	373,115
2011	3.25%	300,000		46,995		42,120	389,115
2012	3.50%	325,000		42,120		36,433	403,553
2013	3.50%	355,000		36,433		30,220	421,653
2014	3.50%	385,000		30,220		23,482	438,702
2015	3.40%	415,000		23,482		16,427	454,909
2016	3.50%	445,000		16,428		8,640	470,068
2017	3.60%	 480,000		8,640			 488,640
		\$ 3,455,000	\$	526,785	\$	368,552	\$ 4,350,337

#### **COMPONENT UNITS**

## SCHEDULE OF INDEBTEDNESS

September 30, 2005

## 2004 BUILDING AUTHORITY REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATION)

Issue Dated February 10, 2004 in the amount of \$1,160,000 35.78% Governmental; 40.16% Business-type; 24.06% Component Unit

Component Units - 24.06% of \$1,160,000 \$ 279,046

Less: Principal paid in prior years

Principal paid in current year (37,284)

Balance payable at September 30, 2005 \$ 241,762

Fiscal <u>Year Ended</u>	<u>Rate</u>	Principal due <u>November 1</u>		Interest due <u>November 1</u>		Interest due <u>May 1</u>		<u>Total</u>	
2006	2.00%	\$	36,090	\$	2,757	\$	2,396	\$	41,243
2007	2.00%		36,090		2,396		2,035		40,521
2008	2.00%		37,293		2,035		1,662		40,990
2009	2.125%		42,105		1,662		1,215		44,982
2010	2.50%		43,308		1,215		674		45,197
2011	2.75%		24,060		674		343		25,077
2012	3.00%		22,816		343				23,159
		\$	241,762	\$	11,082	\$	8,325	\$	261,169



BERTHIAUME & COMPANY

Certified Public Accountants

(989) 791-1555 Fax (989) 791-1992

March 1, 2006

To Members of City Council City of St. Clair St. Clair, Michigan

We have audited the financial statements of the City of St. Clair for the year ended September 30, 2005, and have issued our report thereon dated March 1, 2006. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 30, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of St. Clair. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

# Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of St. Clair are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal 2005. We noted no transactions entered into by the City of St. Clair during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning October 1, 2009.

## Page 2

To Members of City Council City of St. Clair

**Pension Trust Fund Type** – The Governmental Accounting Standards Board Statement No. 34 states that pension trust funds should be used to report resources required to be held in trust for the members and beneficiaries of defined benefit pension plans that a City administers.

We noted that the pension trust fund that was set up several years ago, currently, does not meet this requirement. We recommend that it be reestablished as a governmental fund type effective for fiscal year beginning October 1, 2005.

Very truly yours,

Berthiaume & Company

Certified Public Accountants

Botchenime of Co

